

**NATCHITOCHEs PARISH
WATERWORKS DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017**

Natchitoches Parish Waterworks District No. 2
Financial Report
December 31, 2017

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NATCHITOCHEES PARISH WATERWORKS DISTRICT NO. 2
1665 Highway 119
Natchez, Louisiana 71456

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Natchitoches Parish Waterworks District No. 2 (hereafter referred to as the District) annual financial report presents an overview and analysis of the District's financial activities for the year ended December 31, 2017. Certain comparative information with the previous year is presented to provide an overview of the District's operations.

Financial Highlights

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board's (GASB) accounting principles. The Statement of Net Position (pages 8-9) includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (page 10). This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its water service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (page 11). The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Natchitoches Parish Waterworks District No. 2

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

A summary of the District's basic financial statements is as follows:

Summary of Statement of Net Position

	<u>2017</u>	<u>2016</u>
ASSETS:		
Assets	\$1,897,082	\$1,685,149
Capital Assets, Net of Accumulated Depreciation	<u>6,428,035</u>	<u>6,846,268</u>
Total Assets	<u>\$8,325,117</u>	<u>\$8,531,417</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 268,520	\$ 216,834
Long-Term Debt	<u>6,243,543</u>	<u>6,553,688</u>
Total Liabilities	<u>\$6,512,063</u>	<u>\$6,770,522</u>
NET POSITION:		
Net Investment in Capital Assets Restricted for Debt Services	\$ 218,035	\$ 321,268
	<u>1,595,019</u>	<u>1,439,627</u>
Total Net Position	<u>\$1,813,054</u>	<u>\$1,760,895</u>

Summary of Statement of Revenue and Expenses

	<u>2017</u>	<u>2016</u>
REVENUES:		
Operating Revenues	\$1,375,142	\$1,368,688
Investment Income	<u>17,417</u>	<u>5,174</u>
Total Revenues	<u>\$1,392,559</u>	<u>\$1,373,862</u>
EXPENSES:		
Operating Expenses	\$1,161,372	\$1,098,674
Debt Issuance Expense	0	246,709
Interest	<u>179,028</u>	<u>231,539</u>
Total Expenses	<u>\$1,340,400</u>	<u>\$1,576,922</u>
Change in Net Position	<u>\$ 52,159</u>	<u>\$ (203,060)</u>

Sources of Revenue

Charges for water service totaled \$1,311,372 or 95% of total revenue of the District for the year ended December 31, 2017.

Expenses

The majority of the District's total operating expenses is for payroll cost and depreciation. Salaries totaled \$311,033 which is 27% of total operating expenses. Depreciation totaled \$465,668 which is 40% of total operating expenses.

Capital Assets

The District's capital assets consist of the distribution system and related equipment, along with the land.

Long-Term Debt

The District issued bonds for the purpose of constructing and maintaining the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

Economic Factors

The District's major revenue source is from water sales.

Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at 1665 Hwy 119, Natchez, LA 71456.

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
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INDEPENDENT AUDITOR'S REPORT

Mr. Donald Forest, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund information of the Natchitoches Parish Waterworks District No. 2 (District), a component unit of the Natchitoches Parish Government, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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 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 and the *Louisiana Governmental Audit Guide*. 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 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.

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 respective financial position of the business-type activities and major fund information of the District as of December 31, 2017, and the respective changes in financial position and cash flows thereof 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 1-4 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 Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as other required 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.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose

of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

June 11, 2018
Natchitoches, Louisiana

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2017

ASSETS:

Current Assets-	
Cash & Cash Equivalents	\$ 107,061
Investments	673,934
Accounts Receivable	93,449
Prepaid Expenses	<u>1,979</u>
Total Current Assets	\$ <u>876,423</u>
Restricted Assets-	
Cash & Cash Equivalents	\$ <u>1,019,614</u>
Capital Assets-	
Land & Improvements	\$ 18,721
Buildings & Improvements	397,645
Water Distribution System	10,373,421
Furniture, Machinery & Equipment	77,863
Automobiles	116,878
Accumulated Depreciation	<u>(4,556,493)</u>
Total Capital Assets	\$ <u>6,428,035</u>
Other Assets-	
Deposits	<u>1,045</u>
Total Assets	\$ <u>8,325,117</u>

LIABILITIES & NET POSITION:

Current Liabilities-	
Accounts Payable & Accruals	\$ <u>92,721</u>
Liabilities Payable from Restricted Assets-	
Customer Deposits	\$ 175,799
Current Portion of Long-Term Debt	<u>325,833</u>
Total Payable from Restricted Assets	\$ <u>501,632</u>

Continued next page.

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2017

Non-Current Liabilities-	
Compensated Absences	\$ 33,543
Long-Term Debt, net of current portion	<u>5,884,167</u>
Total Non-Current Liabilities	\$ <u>5,917,710</u>
Total Liabilities	\$ <u>6,512,063</u>
Net Position-	
Net Investment in Capital Assets	\$ 218,035
Restricted for Debt Service	<u>1,595,019</u>
Total Net Position	\$ <u>1,813,054</u>

See notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund
For the Year Ended December 31, 2017

OPERATING REVENUES:	
Charges for Services	\$1,311,372
Connection Fees	27,525
Late Fees	30,175
Miscellaneous	<u>2,070</u>
Total Operating Revenues	<u>\$1,371,142</u>
OPERATING EXPENSES:	
Administrative Services	\$ 1,856
Depreciation	465,668
Employee Benefits	85,977
Fuel & Gas	11,925
Insurance & Bonds	37,572
Legal & Accounting	17,555
Materials & Supplies	32,714
Miscellaneous	2,551
Office Supplies & Other	26,815
Salaries	311,033
Payroll Taxes	27,148
Repairs & Maintenance	70,929
Telephone	10,966
Utilities	<u>58,663</u>
Total Operating Expenses	<u>\$1,161,372</u>
Operating Income	<u>\$ 209,770</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 13,408
Gain on Investments	4,009
Gain on Sale of Asset	4,000
Interest Expense	<u>(179,028)</u>
Total Non-operating Revenues (Expenses)	<u>\$ (157,611)</u>
Change in Net Position	\$ 52,159
Net Position-Beginning of Year	<u>1,760,895</u>
Net Position-End of Year	<u>\$1,813,054</u>

See notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,369,365
Cash Refunds from Customer Deposits	7,907
Cash Payments to Suppliers and Employees	<u>(646,989)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 730,283</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Capital Debt	(315,000)
Interest Paid on Capital Debt	(179,028)
Proceeds from Sale of Assets	4,000
Acquisition and Construction of Capital Assets	<u>(47,436)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (537,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 2,412</u>
Net Increase in Cash and Cash Equivalents	\$ 195,231
Cash and Cash Equivalents-Beginning of Year	<u>931,444</u>
Cash and Cash Equivalents-End of Year	<u>\$1,126,675</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ 209,770
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	465,668
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(1,777)
(Increase) Decrease in Prepaid Insurance	83
Increase (Decrease) in Accounts Payable	43,778
Increase (Decrease) in Customer Deposits	7,907
Increase (Decrease) in Other Liabilities	<u>4,854</u>
Total Adjustments	<u>\$ 520,513</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 730,283</u>
Reconciliation of Cash & Cash Equivalents at 12/31/17:	
Cash	\$ 107,061
Restricted Cash	<u>1,019,614</u>
Total Cash and Cash Equivalents	<u>\$1,126,675</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

INTRODUCTION

The Natchitoches Parish Waterworks District No. 2 was created by an ordinance of the Natchitoches Parish Government (formerly, Natchitoches Parish Police Jury) on April 10, 1963. The District is a political subdivision of the Natchitoches Parish Government, whose president and council members are elected officials. Of the District's eight Commissioners, six are appointed by the Natchitoches Parish Government and two are appointed by the Village of Natchez.

The District accounts for the operations and provisions of water services to the residents and businesses within the boundaries of the District as described in Louisiana Revised Statute Section 33:3381 et seq. The number of customers at December 31, 2017 totaled 2,644.

1. Summary of Significant Accounting Policies:

A. Basis of Presentation-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity-

As the governing authority of the parish, for reporting purposes, the Natchitoches Parish Government is the financial reporting entity for Natchitoches Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Natchitoches Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Natchitoches Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Natchitoches Parish Government.
2. Organizations for which the Natchitoches Parish Government does not appoint a voting majority but are fiscally dependent on the Natchitoches Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

Because the Natchitoches Parish Government appoints 75% of the organization's governing body, and the ability of the Natchitoches Parish Government to impose its will on the District, the District was determined to be a component unit of the Natchitoches Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Natchitoches Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting-

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

The Natchitoches Parish Waterworks District No. 2, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise 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.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

E. Cash and Cash Equivalents-

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

F. Investments-

Investments are limited by R. S. 33:2955 and Natchitoches Parish Waterworks District No. 2's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments.

G. Compensated Absences-

Full-time employees of the District earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next, however, sick leave may be accumulated up to a maximum of 120 days at a rate of 1 day per month. Upon termination, accumulated sick leave is paid to the employee. Compensated Absences at December 31, 2017 was \$33,543.

H. Capital Assets-

The capital assets of the Natchitoches Parish Waterworks District No. 2 enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for vehicles, and 5 to 10 years for machinery and equipment.

I. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

J. Net Position-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

- c. Unrestricted net position - All other net resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expenses.

K. Receivables-

All receivables are reported at their gross value, and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

3. Cash, Cash Equivalents, Investments and Credit Risk:

The cash and cash equivalents of the District are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. 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 or exceed the amount on deposit with the fiscal agent. 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. 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 bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District’s name.

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. The District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

At December 31, 2017, the District had cash, cash equivalents and investments (collected bank balances) totaling \$1,162,872. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at December 31, 2017, were secured as follows:

Cash and Cash Equivalents	\$ 1,162,872
FDIC	(427,645)
Pledged Securities	<u>(735,227)</u>
Unsecured	<u>\$ 0</u>

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

4. Revenue/Accounts Receivable:

At year-end, the District had \$93,449 in customer receivables.

5. Accounts Payable & Accruals:

At year end, the District had \$92,721 in accounts payable and accruals which consists of \$54,362 of vendor payments, \$28,788 of interest payable, and \$9,571 of payroll and sales taxes.

6. Restricted Assets:

At December 31, 2017, Natchitoches Parish Waterworks District No. 2 had the following restricted assets:

Cash and Cash Equivalents \$1,019,614

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2017, is as follows:

<u>Governmental Activities</u>	<u>Balance 01-01-17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-17</u>
Capital Assets Not Depreciated:				
Land	\$ 18,721	\$ 0	\$ 0	\$ 18,721
Total Capital Assets Not Depreciated	<u>\$ 18,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,721</u>
Capital Assets Depreciated:				
Distribution System	\$10,325,985	\$ 47,436	\$ 0	\$10,373,421
Building & Building Improvements	397,645	0	0	397,645
Vehicles	140,860	0	23,982	116,878
Furniture, Machinery & Equipment	<u>77,863</u>	<u>0</u>	<u>0</u>	<u>77,863</u>
Total Capital Assets, Depreciated	<u>\$10,942,353</u>	<u>\$ 47,436</u>	<u>\$23,982</u>	<u>\$10,965,807</u>
Total Capital Assets	<u>\$10,961,074</u>	<u>\$ 47,436</u>	<u>\$23,982</u>	<u>\$10,984,528</u>
Less Accumulated Depreciation:				
Plant & Distribution System	\$ 3,833,055	\$ 440,588	\$ 0	\$ 4,273,643
Building & Building Improvements	111,123	10,837	0	121,960
Vehicles	94,120	13,951	23,982	84,089
Furniture, Machinery & Equipment	<u>76,509</u>	<u>292</u>	<u>0</u>	<u>76,801</u>
Total Accumulated Depreciation	<u>\$ 4,114,807</u>	<u>\$ 465,668</u>	<u>\$23,982</u>	<u>\$ 4,556,493</u>
Net Capital Assets	<u>\$ 6,846,267</u>	<u>\$(418,232)</u>	<u>\$ 0</u>	<u>\$ 6,428,035</u>

Depreciation expense of \$465,668 was recorded for the year ended December 31, 2017.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

8. Long-Term Debt

The following is a summary of the long-term debt obligations of the Natchitoches Parish Waterworks District No. 2 for the year ended December 31, 2017.

	<u>Balance</u> <u>December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2017</u>
Revenue Bond Series 2016 A	\$3,000,000	\$0	\$ 0	3,000,000
Revenue Bond Series 2016 B	<u>3,525,000</u>	<u>0</u>	<u>315,000</u>	<u>3,210,000</u>
Total	<u>\$6,525,000</u>	<u>\$0</u>	<u>\$315,000</u>	<u>\$6,210,000</u>

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>
Revenue Bonds Series 2016 A	3.125%	2036	\$3,000,000
Revenue Bonds Series 2016 B	2.40%	2026	<u>3,575,000</u>
Total			<u>\$6,575,000</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Long-Term Debt</u> <u>Principal</u>	<u>Long-Term Debt</u> <u>Interest</u>	<u>Total</u>
2018	325,833	171,428	497,261
2019	331,667	163,607	495,274
2020	341,667	155,647	497,314
2021	350,833	147,448	498,281
2022	356,667	139,028	495,695
2023-2027	1,918,333	561,958	2,480,291
2028-2032	1,416,667	316,040	1,732,707
2033-2036	<u>1,168,333</u>	<u>93,008</u>	<u>1,261,341</u>
Total	<u>\$6,210,000</u>	<u>\$1,748,164</u>	<u>\$7,958,164</u>

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and sufficient funds are to be set aside into the following special funds:

As pertains to Revenue Bond Series 2016 A & B:

- a. From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

- b. Each month, there will be set aside into a fund called the “Debt Service Fund” an amount constituting 1/12 of the total principal payment and 1/6 of the semi-annual interest payment maturing in the ensuing year. Such amounts 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.
- c. A fund called the “2016 Reserve Fund” was established and fully funded at the time of issuance. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Debt Service Fund as to which there would otherwise be default. If Reserve Fund monies are utilized, the District must replenish the fund to its requirement within 12 months. At December 31, 2017, the Reserve Fund was fully funded.

9. Post-Employment Benefits:

The District does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

10. Schedule of Compensation of Board Members

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount Paid</u>
Henderson Howard	12	\$ 720
Ted Duggan	11	660
John T Batten, Jr	8	480
Donald Forest	12	720
Clyde Masson	12	720
Emile Metoyer	11	660
Ludlow McNeely	6	360
James Anthony	11	<u>660</u>
Total		<u>\$4,980</u>

11. Leases

The Natchitoches Parish Waterworks District No. 2 was not obligated under any non-cancellable capital or operating lease commitments at December 31, 2017.

12. Litigation

There was no outstanding litigation against Natchitoches Parish Waterworks District No. 2 at December 31, 2017.

13. Pension Plan:

All employees of the Natchitoches Parish Waterworks District No. 2 are covered under the Social Security System.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2017

14. Subsequent Events:

Management has evaluated events through June 11, 2018, the date which the financial statements were available for issue.

15. Board of Directors

The Board of Directors of Natchitoches Parish Waterworks District No. 2 at December 31, 2017, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Ludlow McNeely P. O. Box 2007, Natchitoches, LA 71457 318-652-2626	President	8/31/2021
Emile Metoyer 2353 Bermuda Road, Bermuda, LA 71456 318-379-2407	Vice President	10/20/2021
John T. Batten, Jr. 4645 Highway 494, Natchez, LA 71456 318-352-6328	Secretary/Treasurer	10/20/2021
Donald Forest 252 Highway 119, Natchez, LA 71456 318-352-7412	Member	3/31/2019
Henderson Howard, Jr. P. O. Box 236, Natchez, LA 71456 318-357-3158	Member	3/31/2019
Clyde Masson 1527 Highway 491, Cloutierville, LA 71416 318-379-0126	Member	2/21/2019
James W. Anthony 911 Highway 1220, Natchez, LA 71456 318-352-5854	Member	12/19/2018
Ted Duggan 4463 Highway 494, Bermuda, LA 71456 318-352-8636	Member	5/14/2019

REQUIRED SUPPLEMENTAL INFORMATION

Natchitoches Parish Waterworks District No. 2
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2017

Agency Head Name: Leslie Dunn, Jr., Manager

<u>Purpose</u>	<u>Amount</u>
Salary	\$71,622
Benefits-Insurance	12,282
Benefits-Retirement	0
Deferred Compensation	0
Benefits-Other	5,413
Car allowance	0
Vehicle provided by government	0
Cell phone	726
Dues	0
Vehicle rental	0
Per Diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$90,043</u>

See independent auditor's report.

Johnson, Thomas & Cunningham

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Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

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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*

Mr. Ludlow McNeely, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

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, and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Natchitoches Parish Waterworks District No. 2's (District) basic financial statements and have issued our report thereon dated June 11, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 11, 2018 on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.


Johnson, Thomas & Cunningham, CPA's

June 11, 2018
Natchitoches, Louisiana

Natchitoches Parish Waterworks District No. 2
Schedule of Audit Findings
Year Ended December 31, 2017

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Natchitoches Parish Waterworks District No. 2.
2. The audit disclosed no significant deficiencies in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

None found.

III. Prior Year Findings

None found.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

Mr. Ludlow McNeely, President
and the Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, LA 71456

We have performed the procedures enumerated below, which were specified and agreed to by the Natchitoches Parish Waterworks District No. 2 (District) to assist the agency in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended December 31, 2017. We are required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

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 noted that the entity does not have any written policies and procedures), as applicable:

- ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures did not address budgeting..

- ***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 did not address purchasing.

- **Disbursements**, including processing, reviewing, and approving
Written policies and procedures did not address disbursements.
- **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures did not address receipts.
- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures did not address payroll and personnel.
- **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 did not address contracting.
- **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 did not address credit cards.
- **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 did not address travel and expense reimbursement.
- **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 but did not address the functions noted above.
- **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Written policies and procedures did not address debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - 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.

- Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- 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 District holds meetings monthly, minutes are maintained and posted on the District's website which reference non-budgetary financial information and states that the monthly budget report was reviewed. Additionally, the District has only one proprietary fund and is not required to present a budget.

Bank Reconciliations

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

We were provided with the listing by management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- Bank reconciliations have been prepared;

The District has eleven bank accounts, and we selected four bank accounts. We obtained bank statements and reconciliations for all months in the fiscal period, noting that reconciliations have been prepared for all months, without exception.

- 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

Some of the bank reconciliations obtained did not contain evidence that management reviewed the bank reconciliations.

- 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.

There were many items outstanding for more than 6 months at the end of the fiscal period. There was no evidence of a plan to reconcile these aged outstanding items.

Collections

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

Management provided the listing as requested.

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

- 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.

Management provided the documentation for the selected locations. There are two cash drawers used by all employees that make collections. Employees who make collections are bonded, and are not responsible for making bank deposits and recording transactions.

- 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.

Management provided the documentation for the collection location and the District does not have written policies and procedures related to the reconciling of cash collections to the general ledger, by a person who is not responsible for cash collections.

- 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.

Management provided the required documentation for the selected deposits. The District has set procedures that require deposits to be made at least once per week on Friday. We noted that all deposits reviewed were made within one to two business days 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.

Collection documentation was obtained and no exceptions were noted.

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

Management does not have written procedures for collections; however, the District bookkeeper does reconcile deposits against their monthly billing summaries.

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.

We obtained the general ledger and sorted for disbursements. We also obtained management's representation that the general ledger population was 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:

- 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.

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

Each selection showed evidence of approval by the manager, without exception; however, the manager also initiates most purchases within the District.

- 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.

The District does not use a requisition or purchase order system; however, all invoices selected were reviewed and approved by the manager prior to payment.

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 person responsible for processing payments is not prohibited from adding vendors to the District's purchasing system. The accounting system does not allow for this level of user restriction; however, the system is monitored by management.

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.

We obtained the required documentation and noted that the manager signs all checks and is primarily responsible for initiating all purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We noted all unused checks are kept in locked drawers.

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

Not applicable – no signature stamps or machines are in use at the District's office.

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.

Management provided the required listing.

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.

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:

- 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 statements were obtained and invoices were approved by the manager and the bookkeeper for all purchases.

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

Late fees were not assessed on the statements reviewed.

15. 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).

- For each transaction, we report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable – the District had no travel reimbursements for the period.

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

Not applicable – the District had no travel reimbursements for the period.

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

Not applicable – the District had no travel reimbursements for the period.

- For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable – the District had no travel reimbursements for the period.

- For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable – the District had no travel reimbursements for the period.

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.

Not applicable – the District had no travel reimbursements for the period.

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 were not obtained; however, the District provides a vehicle for any required travel.

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:

- 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.

Not applicable – the District had no travel reimbursements for the period.

- 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.]

Not applicable – the District had no travel reimbursements for the period.

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

Not applicable – the District had no travel reimbursements for the period.

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

Not applicable – the District had no travel reimbursements for the period.

- 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.

Not applicable – the District had no travel reimbursements for the period.

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

Not applicable – the District had no travel reimbursements for the period.

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.

Not applicable – the District had no contracts during the period.

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:

- Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Not applicable – the District had no contracts during the period.

- Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

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

Not applicable – the District had no contracts during the period.

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

Not applicable – the District had no contracts during the period.

- Selected 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.

Not applicable – the District had no contracts during the period.

- 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).

Not applicable – the District had no contracts during the period.

Payroll and Personnel

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

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.

Changes made to hourly pay rates/salaries were approved by the Board of Commissioners.

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.)

All of the 5 employees selected documented daily attendance and leave.

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

Supervisory approvals were noted on all selections, without exception.

- b) 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.

We observed the written leave records maintained for all selections, without exception.

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.

Two termination payments were made during the period. The District experienced two terminations by retirement and resignation. Termination payments were made in accordance with policy and approved by management.

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.

We obtained documentation relating to payroll taxes. We did not note any late payments for payroll taxes. The District does not participate in a retirement program.

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 five randomly selected employees, which were selected for payroll and personnel procedures, completed the required ethics training. No exceptions were noted.

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 inquiry of management, there were no alleged ethics violations reported to the District 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.

Not applicable – No debt was 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.

The District made all required payments and met all debt covenants during the fiscal period.

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 whether any millages continue to be received for debt that has been paid off.

The District has no tax millage related to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, we 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.

Per discussion with the District, there were no funds or assets misappropriated during the period.

32. We observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We viewed the notice required by R.S. 24:523.1 posted on the District'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.

Not applicable – 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 the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Natchitoches Parish Waterworks District No. 2 and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

June 11, 2018
Natchitoches, Louisiana

Natchitoches Parish Waterworks District No. 2
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended December 31, 2017

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

- Item 1: The District will strive to adopt written policies and procedures to address the financial/business functions.
- Item 4: The District will implement procedures to ensure that each bank reconciliation is reviewed, and has begun the process of turning over aged outstanding items to the State Treasurer's Unclaimed Property Division.
- Item 6: The District does not feel that having a cash drawer for the manager and bookkeeper in addition to receipt clerks is economically feasible, the manager and bookkeeper conduct spot counts of cash drawers randomly and feel that controls are adequate. Due to distance to the bank, the District feels that making deposits of less than \$100 on a daily basis is not economically feasible. The District will strive to adopt written policies and procedures to address completeness of collections.
- Item 9: Purchases were initiated by the approval authority. The District does not have the manpower to segregate duties between initiating and approving purchases. The District feels that their controls are adequate.
- Item 10: The person responsible for processing payments is not prohibited from adding vendors to the District's purchasing system. The system is maintained exclusively by the bookkeeper and does not allow for this level of user restriction; however, all payments are reviewed by the manager.
- Item 11: The signatory authority on checks also initiates most purchases. The District does not have the manpower to segregate duties and maintain control of day-to-day operations effectively. The manager has authority to run day-to-day operations and maintenance, while upgrades and large purchases are approved by the Board.
- Item 18: The District does not have written policies for travel and made no travel reimbursements for the period. The District provides a vehicle for any required travel and pays costs directly. The District will strive to adopt written policies and procedures that ensure travel costs are reimbursements do not exceed rates as published by the U.S. General Services Administration.