

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
ANNUAL FINANCIAL REPORTS
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Sunset, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, as of and for the years ended June 30, 2019 and 2018, 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 audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

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To the Board of Directors
St. Landry Waterworks District No. 2 Rural
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of June 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements. The other supplementary information on pages 18 through 20 is presented for the 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 and the Schedule of Directors' and Officers' Compensation are the responsibility of management and was derived from and relate 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Insurance in Force has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

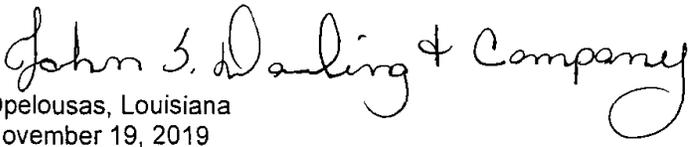
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the St. Landry Waterworks District No. 2 Rural'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 St. Landry Waterworks District No. 2 Rural's internal control over financial reporting and compliance.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
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Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated November 19, 2019 on the results of our statewide 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 statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.


Opelousas, Louisiana
November 19, 2019

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>PROPRIETARY FUND</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Petty cash	\$ 60	\$ 60
General account - checking	1,101,215	904,539
General account – savings	76,748	69,820
Revenue account - certificate of deposit	1,522	1,510
LAMP investment	17,726	17,322
Accounts receivable	86,545	94,015
Less: Allowance for doubtful accounts	(17,121)	(12,761)
Other receivables	855	855
Due from restricted assets	1,748	100
<u>Total current assets</u>	<u>1,269,298</u>	<u>1,075,460</u>
<u>RESTRICTED ASSETS</u>		
Depreciation and Contingency Fund		
Savings	73,541	68,515
Certificates of deposit	15,979	15,857
Reserve note fund		
Savings	95,365	90,305
Certificates of deposit	32,722	32,473
Customers' deposits		
Bank of Sunset – checking	69,448	73,450
<u>Total restricted assets</u>	<u>287,055</u>	<u>280,600</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water system	2,944,226	2,944,226
Equipment	39,262	39,262
Autos	15,009	15,009
Buildings/improvements	67,994	67,994
Furniture	7,169	7,169
Software	5,000	5,000
Land improvements	18,500	18,500
	<u>3,097,160</u>	<u>3,097,160</u>
Less: Allowance for depreciation	(2,151,303)	(2,041,952)
Land	17,500	17,500
<u>Total property, plant, and equipment</u>	<u>963,357</u>	<u>1,072,708</u>
<u>Total assets</u>	<u>2,519,710</u>	<u>2,428,768</u>

Continued on next page.

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	<u>2019</u>	<u>2018</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (from current assets)</u>		
Accounts payable	\$ 74,391	\$ 14,662
Sales tax payable	70	116
Payroll tax withheld and payable	2,685	2,574
Current portion of long-term debt	38,316	38,663
<u>Total current liabilities</u>	<u>115,462</u>	<u>56,015</u>
<u>CURRENT LIABILITIES (from restricted assets)</u>		
Accrued interest payable	1,663	1,970
Customers' deposits	67,700	73,350
Due to operating	1,748	100
<u>Total restricted liabilities</u>	<u>71,111</u>	<u>75,420</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds	1,183,107	1,372,609
Less: Current portion of long-term debt	(38,316)	(38,663)
<u>Total long-term liabilities</u>	<u>1,144,791</u>	<u>1,333,946</u>
<u>Total liabilities</u>	<u>1,331,364</u>	<u>1,465,381</u>
<u>NET POSITION</u>		
Net investment in capital assets	963,357	1,072,708
Net position - restricted		
Reserve note fund	126,424	120,808
Depreciation fund	89,520	84,372
Net position - unrestricted	9,045	(314,501)
<u>Total net position</u>	<u>1,188,346</u>	<u>963,387</u>
<u>Total liabilities and net position</u>	<u>2,519,710</u>	<u>2,428,768</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>PROPRIETARY FUND</u>	
	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 515,790	\$ 524,815
Connection fees	27,370	30,523
Late fees	14,107	14,406
Disconnect notice fees	27,160	28,878
Line extension reimbursement	-	4,390
Other revenue	341	300
<u>Total operating revenues</u>	<u>584,768</u>	<u>603,312</u>
<u>OPERATING EXPENSES</u>		
Current		
Supplies		
Water supplies	22,766	24,464
Office supplies	10,104	14,799
Other		
Salaries	83,427	84,751
Payroll taxes	7,024	7,137
Repairs and maintenance	93,060	20,187
Insurance	22,352	22,233
Dues and subscriptions	341	341
Conventions and seminars	657	1,042
Postage	8,448	8,105
Auto and truck	6,999	4,061
Professional fees	19,100	11,275
Telephone	6,159	5,817
Utilities	19,738	19,661
Per diem and travel allowance	7,860	7,620
Janitorial	510	666
Miscellaneous	-	5
Meter connection contract fee	19,970	25,280
Louisiana One Call	1,019	1,200
Bad debt expense	4,360	(3,359)
Water purchases – Cankton	12,537	31,061
Depreciation	109,352	111,041
<u>Total operating expenses</u>	<u>455,783</u>	<u>397,387</u>
<u>OPERATING INCOME</u>	<u>128,985</u>	<u>205,925</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Proceeds from sale of Cankton side	150,000	-
Interest revenue	2,183	1,962
Interest expense	(56,209)	(59,928)
<u>Total non-operating revenues (expenses)</u>	<u>95,974</u>	<u>(57,966)</u>
<u>CHANGE IN NET POSITION</u>	<u>224,959</u>	<u>147,959</u>
<u>NET POSITION, beginning of year</u>	<u>963,387</u>	<u>815,428</u>
<u>NET POSITION, end of year</u>	<u>1,188,346</u>	<u>963,387</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>PROPRIETARY FUND</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 590,902	\$ 592,421
Cash paid to suppliers	(196,251)	(198,163)
Cash paid to employees	(90,340)	(92,024)
<u>Net cash provided by operating activities</u>	<u>304,311</u>	<u>302,234</u>
<u>CASH FLOWS FROM CAPITAL AND</u> <u>RELATED FINANCING ACTIVITIES</u>		
Purchase of PPE	-	(9,442)
Proceeds from sale of Cankton side	150,000	-
Principal paid on bonds	(189,502)	(38,659)
Interest paid on bonds	(56,516)	(59,985)
<u>Net cash used by capital and related</u> <u>financing activities</u>	<u>(96,018)</u>	<u>(108,086)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments and savings	2,182	1,962
Interest reinvested in certificates of deposit	(383)	(586)
<u>Net cash provided by investing activities</u>	<u>1,799</u>	<u>1,376</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	210,092	195,524
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>1,224,011</u>	<u>1,028,487</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>1,434,103</u>	<u>1,224,011</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u> <u>CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income	\$ 128,985	\$ 205,925
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	109,352	111,041
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, net	11,830	(13,775)
(Increase) decrease in other receivable	-	(50)
Increase (decrease) in accounts payable	59,729	(3,705)
Increase (decrease) in sales tax payable	(46)	(16)
Increase (decrease) in customers' deposits	(5,650)	2,950
Increase (decrease) in payroll tax payable	111	(136)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>304,311</u>	<u>302,234</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SCOPE OF ENTITY

St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this Waterworks District was dated August 14, 1989. The District is governed by a five member board of commissioners, appointed by the Parish Government, who are authorized to construct, maintain, and improve the waterworks system within the District.

As the governing authority of the parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for St. Landry Parish.

The financial reporting entity consists of (a) the primary government (parish government) (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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 St. Landry 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 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 Parish Government.
2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the 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.

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

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statements of Net Position display information on all of the non-fiduciary activities of St. Landry Waterworks District No. 2 Rural, as a whole. They include the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS.

C. FUND ACCOUNTING

The accounts of St. Landry Waterworks District No. 2 Rural are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

Proprietary Fund

Proprietary funds are used to account for operations that are financed and operated in a manner 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.

D. MEASUREMENT FOCUS AND 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.

Measurement Focus

On the Statements of Net Position, business-type activities are presented using the economic resources measurement focus.

The Proprietary Fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the Statements of Net Position, business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting - Continued

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

E. CASH AND INVESTMENTS

Louisiana statutes authorize St. Landry Waterworks District No. 2 Rural to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, the Louisiana Asset Management Pool, or any other federally insured investment.

Investments are recorded at cost, which approximates market.

F. CAPITAL ASSETS

Capital assets (including infrastructure assets), which constitute assets of the Proprietary Fund, are recorded at cost and depreciation is computed under the straight-line method and the modified accelerated cost recovery method. The service lives by type of asset are as follows:

Water system	25-40 years
Equipment	5-10 years
Buildings/improvements	15-30 years
Furniture	7 years
Land improvements	10-15 years
Autos	5 years
Software	5 years

Interest costs during construction are not capitalized.

G. BUDGET ACCOUNTING

St. Landry Waterworks District No. 2 Rural is not required to adopt a budget for its Proprietary Fund.

H. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

I. ENCUMBRANCES

St. Landry Waterworks District No. 2 Rural does not employ the encumbrance system of accounting.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. VACATION AND SICK LEAVE

St. Landry Waterworks District No. 2 Rural's employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation cannot be accumulated. Employees are compensated at their hourly rate when sick.

K. BAD DEBTS

Uncollectible amounts due for customer's utility receivables are recognized as bad debts through the adjustment of allowance account to the balance of individual accounts deemed uncollectible at the end of each fiscal year.

L. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actuals results could differ from the estimates.

M. EQUITY CLASSIFICATIONS

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

1. 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.
2. Restricted net position – Consist 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 provision enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it's the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE (2) – CASH AND INVESTMENTS

The bank balances of cash, including investments, were \$1,484,709 and \$1,273,723 at June 30, 2019 and 2018, respectively and the carrying amounts of cash and investments were \$1,484,326 and \$1,273,851 at June 30, 2019 and 2018, respectively. Of the bank balances, at June 30, 2019 and 2018, cash in excess of the FDIC insurance of \$1,077,781 and \$874,509, respectively was adequately covered by securities held by the pledging financial institution. The remaining funds of \$17,726 and \$17,322 at June 30, 2019 and 2018, respectively are invested in the Louisiana Asset Management Pool (LAMP). Cash on hand was \$60 at June 30, 2019 and 2018. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP). LAMP is currently rated AAAM by Standard & Poor's Rating Services.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Water System's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting balances) must be secured by federal deposit insurance or similar federal security 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

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (2) – CASH AND INVESTMENTS - Continued

bank. These securities are held in the name of the Water System or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties

Investments in certificates of deposit were \$50,223 and \$49,841 at June 30, 2019 and 2018, respectively. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investments in LAMP were \$17,726 and \$17,322 at June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, \$389,202 and \$381,892 of the bank balance was covered by FDIC insurance and \$1,077,781 and \$874,509 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institutions' trust department or agent, but not in the Water System's name. The Water System does not have a policy for custodial credit risk.

NOTE (3) - ACCOUNTS RECEIVABLE

St. Landry Waterworks District No. 2 Rural's accounts receivable consist of uncollected billed and unbilled utility services. An accounts receivable aging schedule is as follows:

<u>Days</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
0-30	\$ 19,049	\$ 30,485
31-60	4,196	2,590
61-90	2,444	601
91 and older - Due	12,550	8,866
Unbilled receivables	<u>48,306</u>	<u>51,473</u>
<u>Totals</u>	<u>86,545</u>	<u>94,015</u>
Breakdown of active customers:		
Residential	1,456	1,567
Commercial	<u>19</u>	<u>9</u>
<u>Totals</u>	<u>1,475</u>	<u>1,576</u>

The present water rates are as follows:

Residential monthly billing		
First 2,000 gallons (minimum)	\$	17.00
Over 2,000 gallons (per 1,000 gallons)		3.00
Commercial monthly billing		
First 2,000 gallons (minimum)		17.00
Over 2,000 gallons (per 1,000 gallons)		3.00

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (3) - ACCOUNTS RECEIVABLE - Continued

Through December 10, 2018 when sold:

Residential monthly billing - Cankton side		
First 2,000 gallons (minimum)	\$	12.25
Over 2,000 gallons (per 1,000 gallons)		4.00
Commercial monthly billing - Cankton side		
First 2,000 gallons (minimum)		12.25
Over 2,000 gallons (per 1,000 gallons)		4.00

NOTE (4) - RESTRICTED ASSETS

Under the terms of the Loan Resolution Security Agreements with the United States Department of Agriculture, Farmers Home Administration, which is now called Rural Development, all funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Account. The General Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Account there shall be set aside into an account designated as the Reserve Account the sum of \$410 each month until there is accumulated in that account the sum of \$98,266 after which deposits may be suspended, except to replace withdrawals.

There shall also be set aside into an account designated as a contingency account the sum of \$410 each month until there is accumulated in the Contingency Account the sum of \$98,266. Monthly deposits will then increase to \$570.

The total funds held in each account are as follows:

	2019	2018
Meter Deposits	\$ 69,448	\$ 73,450
Depreciation and contingency	89,520	84,372
Reserve account	128,087	122,778
	287,055	280,600

During the 2019 fiscal year, the Water System made twenty-four payments of \$410 into the Contingency and Reserve Accounts.

During the 2018 fiscal year, the Water System made twenty-four payments of \$410 into the Contingency and Reserve Accounts.

The customers' deposits account represents refundable fifty-dollar deposits collected from homeowners and one hundred-dollar deposits collected from renters requesting service connection. Customers' deposits are deposited in a separate cash account and totaled \$69,448 and \$73,450 at June 30, 2019 and 2018, respectively. There was an amount due to the operating/restricted asset accounts from the customers' deposit account in the amount of \$1,748 and \$100 at June 30, 2019 and 2018, respectively.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (5) - CAPITAL ASSETS

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2019:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Non-Depreciable Assets:					
Land		\$ 17,500	\$ -	\$ 17,500	\$ -
Depreciable Assets:					
Water system	25-40 years	2,944,226	2,025,007	919,219	105,746
Equipment	5-10 years	39,262	36,823	2,439	1,315
Buildings/ improvements	15-30 years	67,994	47,782	20,212	1,706
Furniture	7 years	7,169	6,752	417	100
Land improvements	10-15 years	18,500	14,930	3,570	485
Autos	5 years	15,009	15,009	-	-
Software	5 years	5,000	5,000	-	-
<u>Totals</u>		<u>3,114,660</u>	<u>2,151,303</u>	<u>963,357</u>	<u>109,352</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2018:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Non-Depreciable Assets:					
Land		\$ 17,500	\$ -	\$ 17,500	\$ -
Depreciable Assets:					
Water system	25-40 years	2,944,226	1,919,261	1,024,965	105,731
Equipment	5-10 years	39,262	35,508	3,754	1,195
Buildings/ improvements	15-30 years	67,994	46,077	21,917	3,361
Furniture	7 years	7,169	6,652	517	100
Land improvements	10-15 years	18,500	14,445	4,055	542
Autos	5 years	15,009	15,009	-	-
Software	5 years	5,000	5,000	-	112
<u>Totals</u>		<u>3,114,660</u>	<u>2,041,952</u>	<u>1,072,708</u>	<u>111,041</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (6) - LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Series 2007</u>	<u>Total</u>
Balance, June 30, 2017	\$ 562,456	\$ 33,069	\$ 80,339	\$ 735,404	\$ 1,411,268
Reductions in principal	<u>(20,050)</u>	<u>(1,188)</u>	<u>(4,326)</u>	<u>(13,095)</u>	<u>(38,659)</u>
Balance, June 30, 2018	542,406	31,881	76,013	722,309	1,372,609
Reductions in principal	<u>(67,962)</u>	<u>(31,881)</u>	<u>(76,013)</u>	<u>(13,646)</u>	<u>(189,502)</u>
Balance, June 30, 2019	<u>474,444</u>	<u>-</u>	<u>-</u>	<u>708,663</u>	<u>1,183,107</u>

	<u>2019</u>	<u>2018</u>
(1) \$816,000 Water Revenue Bonds Series R-1 due in monthly installments of \$3,746 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	\$ 474,444	\$ 542,406
(2) \$48,000 Water Revenue Bonds Series R-2 due in monthly installments of \$221 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	-	31,881
(3) \$136,000 Water Revenue Bonds Series A, due in monthly installments of \$654 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	-	76,013
(4) \$835,000 Water Revenue Bonds Series 2007, due in monthly installments of \$3,599 at an interest rate of 4.125%. The debt will be retired from excess annual water revenues.	<u>708,663</u>	<u>722,309</u>
<u>Total bonds payable</u>	<u>1,183,107</u>	<u>1,372,609</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (6) - LONG-TERM OBLIGATIONS – Continued

The annual requirements to amortize revenue bonds are as follows:

Year Ended June 30,	Series R-1	Series 2007	Total
2020	\$ 44,952	\$ 43,186	\$ 88,138
2021	44,952	43,186	88,138
2022	44,952	43,186	88,138
2023	44,952	43,186	88,138
2024	44,952	43,186	88,138
2025-2029	224,760	215,931	440,691
2030-2034	195,261	215,931	411,192
2035-2039	-	215,931	215,931
2040-2044	-	215,931	215,931
2045-2049	-	105,170	105,170
Total principal and interest	644,781	1,184,824	1,829,605
Less: interest	(170,337)	(476,161)	(646,498)
Balance at June 30, 2019	<u>474,444</u>	<u>708,663</u>	<u>1,183,107</u>

NOTE (7) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following accounts:

	2019	2018
Petty cash	\$ 60	\$ 60
General account - checking	1,101,215	904,539
General account – savings	76,748	69,820
LAMP investment	17,726	17,322
Depreciation fund - savings	73,541	68,515
Reserve note fund - savings	95,365	90,305
Customers' deposits - checking	69,448	73,450
	<u>1,434,103</u>	<u>1,224,011</u>

NOTE (8) - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The St. Landry Waterworks District No. 2 Rural does not provide any post-employment benefits to retirees and therefore is not required to report under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE (9) - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 19, 2019, which is the date the financial statements were available to be issued. As of November 19, 2019, there were no subsequent events noted.

SUPPLEMENTARY INFORMATION

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2019

Insurer	Coverage	Coverage Limits	Policy Period	
			From	To
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial General Liability	\$3,000,000	2/8/2019	2/8/2020
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial property	Various	2/8/2019	2/8/2020
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Boiler and machinery	500,000	2/8/2019	2/8/2020
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Robyn Cormier	100,000	2/8/2019	2/8/2020
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Samuel Doucet	100,000	2/8/2019	2/8/2020
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - J. Barney Johnson	100,000	2/8/2019	2/8/2020
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Mary Lee Meynig	100,000	2/8/2019	2/8/2020
Bridgefield Casualty Insurance Company (Dupre-Carrier-Godchaux)	Worker's Compensation	500,000	5/29/2019	5/29/2020
Farm Bureau Insurance	Commercial General Liability	383,000	9/20/2018	9/20/2019
Farm Bureau Insurance	Automobile - 2007 Dodge Dakota	300,000	5/11/2019	11/11/2019
Travelers Casualty and Surety Company of America Hartford, Ct 06183 (Dupre-Carrier-Godchaux)	Professional liability Policy on board members	1,000,000	10/15/2018	10/15/2021

See independent accountant's audit report.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF DIRECTORS' AND OFFICERS' COMPENSATION
AS OF JUNE 30, 2019

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Compensation</u>
Samuel Doucet	1/20	President	\$ 1,320
Francis Henry	1/21	Vice-President	1,320
Bobby Richard	1/23	Board Member	1,320
J. Barney Johnson	1/20	Secretary/ Treasurer	1,260
Carlene Richard	1/23	Board Member	1,320

See independent accountant's audit report.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2019

Agency Head Name: Samuel Doucet, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$0
Benefits-insurance	0
Benefits-retirement	0
Benefits	0
Car allowance	0
Vehicle provided by government	0
Per diem	1,320
Reimbursements	457
Travel	1,605
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

See independent accountant's audit report.

RELATED REPORTS

James L. Nicholson, Jr., CPA
 G. Kenneth Pavy, II, CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA
 Dana D. Quebedeaux, CPA



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

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Sunset, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements and have issued our report thereon dated November 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Landry Waterworks District No. 2 Rural'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 St. Landry Waterworks District No. 2 Rural's internal control. Accordingly, we do not express an opinion the effectiveness of St. Landry Waterworks District No. 2 Rural's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (2019-001)

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To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Landry Waterworks District No. 2 Rural'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.

St. Landry Waterworks District No. 2 Rural's Response to Findings

St. Landry Waterworks District No. 2 Rural's response to the findings identified in our audit is described in the accompanying schedule of finding and responses. The Waterworks District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.


Opelousas, Louisiana
November 19, 2019

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section I - SUMMARY OF AUDIT RESULTS

1. We have audited the basic financial statements of St. Landry Waterworks District No. 2 Rural as of and for the year ended June 30, 2019, and have issued our report thereon dated November 19, 2019. 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 provisions of the Uniform Guidance. Our audit of the financial statements as of June 30, 2019 resulted in an unmodified opinion.
2. One significant deficiency and no material weaknesses relating to the audit of the financial statements were reported in the 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.
3. No instances of noncompliance relating to the audit of the financial statements were reported in the 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.
4. No management letter was issued for St. Landry Waterworks District No. 2 Rural as of and for the year ended June 30, 2019.
5. There was no single audit required under the 2CFR 200.516(a) (Uniform Guidance).

Section II - 2019 FINDINGS - FINANCIAL STATEMENT AUDIT

Internal Control

2019-001. Inadequate Segregation of Duties within Accounting Functions

Condition

St. Landry Waterworks District No. 2 Rural does not have adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

Cause

Only one person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting functions and it is important that you are aware of this condition because errors or fraud could occur and not be detected.

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Section II - 2019 FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Internal Control - Continued

2019-001. Inadequate Segregation of Duties within Accounting Functions

Corrective action planned

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2018-001 Inadequate Segregation of Duties Within Accounting Functions

Repeat comment.

Section II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable

Section III - MANAGEMENT LETTER

No prior year findings.

James L. Nicholson, Jr., CPA
 G. Kenneth Pavy, II, CPA
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 2005

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

To the Board of Directors St. Landry Waterworks District No. 2 Rural and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by St. Landry Waterworks District No. 2 Rural 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 July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
The District does not have written policies and procedures for budgeting; however, the District is not required to have a budget.
 - 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.
The District does not have written policies and procedures for purchasing.
 - c) **Disbursements**, including processing, reviewing, and approving
The District does not have written policies and procedures for disbursements.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Page 2

The District does not have written policies and procedures for receipts/collections.

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

The District does not have written policies and procedures for payroll/personnel.

- 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

The District does not have written policies and procedures for contracting.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

The District does not have any credit cards, therefore, no written policies and procedures.

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

The District does not have written policies and procedures for travel and expense reimbursement.

- 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.

The District does not have written policies and procedures for ethics.

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

The District does not have written policies and procedures. The District uses the guidelines and requirements provided by the USDA.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The District does not have written policies and procedures for disaster recovery/business continuity.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Page 3

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The board meets with a quorum on a monthly basis.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The District is not required to have a budget; therefore, budget-to-actual comparisons are not presented at the board meetings. However, the secretary/bookkeeper presents the board with financial reports on a monthly basis.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Not applicable. The District only has one fund, which is a proprietary fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations were dated within one month after closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Bank reconciliations were signed and dated by the secretary/treasurer of the board.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Obtained bank statements and reconciliations for all months in the fiscal period noting that 2 out of the 3 bank accounts had checks that have been outstanding for more than 12 months from the statement closing date. The majority of the outstanding checks are refund checks. The District sends old outstanding checks to the state for unclaimed property on an annual basis.

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Page 4

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of cash collection locations and management's representation that the listing is complete. The District only has one collection location.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The District has two employees collecting cash and those two employees share the same cash register drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The District has two employees collecting cash. One employee is responsible for depositing the cash in the bank, recording the related transaction and reconciling the related bank statement.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The District does not have a person responsible for posting collection entries to the general ledger that is independent of the cash collections.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The District does not have a person reconciling cash collections to the general ledger that is independent of the cash collections.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The District has two employees who have access to cash and both employees are bonded.

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7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
No exceptions noted.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exceptions noted.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
No exceptions noted.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
No exceptions noted.
 - e) Trace the actual deposit per the bank statement to the general ledger.
No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Obtained listing of locations that process payments and management's representation that the listing is complete. The District only has one location that processes payments.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
There is only one employee involved in initiating a purchase. However, the board is responsible for approving purchases.
 - b) At least two employees are involved in processing and approving payments to vendors.
The secretary/bookkeeper is responsible for processing payments to vendors and the board is responsible for approving payments to vendors.

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- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The person responsible for processing payments is not prohibited from adding vendors to the District's system.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The secretary/bookkeeper has the ability to process payments and also has signature authority. However, each check requires two signatures, so the secretary/bookkeeper and a board member usually are the ones to sign each check. Board members have no responsibility for processing payments; they are responsible for approving payments and signing checks.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Travel and Expense Reimbursements (excluding card transactions)

11. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

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- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

12. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

The District did not have any contracts in effect during the fiscal period.

Payroll and Personnel

13. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a payroll journal from management with representation that the listing was complete. The District does not have personnel files, but all compensation was paid in accordance with the board member approval per the minutes.

14. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that supervisors approved the attendance and leave of the selected employees/officials.
All vacation and sick leave were approved and signed by a board member.
 - b) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
All leave taken during the pay period was fully reflected in the entity's cumulative employee leave records.

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15. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No employees were terminated during the fiscal period.

16. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Obtained supporting documentation relating to payroll taxes and workers' compensation premiums, noting all payments were made and forms filed by required deadlines. The District does not make retirement contributions and does not pay health insurance premiums.

Ethics

17. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The District did not have an ethics policy during the fiscal period.

Other

18. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

19. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notice is properly posted on the District's premises, next to the collection window.

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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.


Opelousas, Louisiana
November 19, 2019

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2019

Management's responses to the following agreed-upon procedures exceptions:

Written Policies and Procedures:

1b-f,h-i,k. Management will consider adopting written policies for the above but due to the size of the District, we consider it to be impractical in many instances.

Collections:

5a-d. Management is aware of and has evaluated these exceptions and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

Non-Payroll Disbursements:

9c-d. Management is aware of and has evaluated these exceptions and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

Ethics:

17b. Management will consider adopting written policies for the above but due to the size of the District, we consider it to be impractical in many instances.