

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

105 GISELE STREET

NEW ROADS, LA 70760

(225) 638-4501

COMMISSIONERS

Marvin Losavio. Chairman

Van J. Debetaz

Mark Major

Ron Pourciau

Kelly Rivet

MEETING DATE:

2nd Monday of Every Month
5:00 PM - Police Jury Office

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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CPAs & Financial Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Waterworks District No. 2 of Pointe Coupee Parish, LA, (a component unit of the Parish of Pointe Coupee) (the District) as of and for the years ended December 31, 2018 and 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the business-type activities of the District, as of December 31, 2018 and 2017, and the respective change 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by U.S. Department of Agriculture on pages 25-26 and the supplementary information required by the Louisiana Legislative Auditor on page 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information required by the Louisiana Legislative Auditor is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, reimbursement, benefits and other payments to agency head, political subdivision head, or chief executive officer is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

The supplemental information required by USDA has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
June 25, 2019



**WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

INTRODUCTION

This annual report consists of –

- Our independent auditors' report on the financial statements in which they rendered an unmodified opinion.
- Management's discussion and analysis which provides in plain language an overview of our financial activities for the year.
- The basic financial statements which consists of proprietary fund financial statements, and the notes to those financial statements.
- Supplementary information required by USDA.
- Our independent auditors' report on the District's compliance with laws and regulations and how management applied internal controls over its financial operations. The results of those tests and observations did not indicate any violations that they considered to be in noncompliance or conditions that required to be disclosed that could affect our operations.
- Supplementary information required by Louisiana Legislative Auditor.

Management's Discussion and Analysis

As management of the District, we are pleased to provide an overview of our financial activities for the year ended December 31, 2018. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations of significant economic factors, and the status of infrastructure and its effects on our debt and operation. When referring to prior years data in this analysis we will be drawing upon information from last year's audited financial report.

Financial Highlights

- The District's net position decreased by \$100,513 from \$3,158,427 in 2017 to \$3,057,914 in 2018.
- Restricted and Unrestricted Cash increased by \$51,510 in 2018. The 2017 balance was restated with an increase of \$2,324 for voided stale checks from prior years.
- Water Sale Revenues increased by \$80,840 to \$658,463 in 2018..

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) proprietary fund financial statements, (2) notes to the financial statements, and (3) other required supplementary information in addition to the basic financial statements themselves required by USDA.

Financial Statements

The District's Financial Statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). When the District charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Financial Statements, presented on pages 8 through 10, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statements of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statements of Cash Flows presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The notes, presented on pages 11 through 21, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are a required part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information required by USDA, on pages 25 and 26, and supplementary information required by LLA, on page 27.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the end of the most recent year, the assets of the District exceeded its liabilities and deferred outflows by \$3,057,914.

The District's total assets are composed of \$534,366 (7.8%) in cash, receivables, and restricted reserves, \$6,337,159 (92.1%) investment in capital assets (land, buildings, utility systems, vehicles and equipment, etc.), and \$8,995 (0.1%) in prepaid and other assets. The District uses these capital assets to provide various services to residents and businesses in the incorporated area, these assets are not available for future spending.

Statements of Net Position

	<u>Total</u> 2018	<u>Total</u> 2017	<u>% Change</u>
Current and Other Assets	\$ 543,361	\$ 483,662	12.3%
Capital Assets	<u>6,337,159</u>	<u>6,604,624</u>	-4.0%
Total Assets	<u>6,880,520</u>	<u>7,088,286</u>	-2.9%
Current and Other Liabilities	279,584	277,855	0.6%
Long-term Debt	<u>3,530,350</u>	<u>3,638,806</u>	-3.0%
Total Liabilities	<u>3,809,934</u>	<u>3,916,661</u>	-2.7%
Deferred Inflows of Resources	<u>\$ 12,672</u>	<u>\$ 13,198</u>	-4.0%
Net Position –			
Invested in Capital assets, Net of Related Debt	2,698,358	2,861,840	-5.7%
Restricted	451,322	414,273	8.9%
Unrestricted – (Deficit)	<u>(91,800)</u>	<u>(117,686)</u>	22.0%
Total Net Position	<u>\$ 3,057,914</u>	<u>\$ 3,158,427</u>	-3.2%

2017 amounts have been restated to reflect an increase in unrestricted cash and unrestricted net assets of \$2,324 for stale checks from prior years that were voided.

Changes in Net Position

	Total <u>2018</u>	Total <u>2017</u>	% Change <u></u>
Revenues:			
Charges for Services	\$ 678,028	\$ 598,555	13.3%
Interest Earned	212	202	5.0%
Grant Income	<u>-</u>	<u>27,000</u>	-100.0%
Total Revenues	<u>678,240</u>	<u>625,757</u>	8.4%
Functions/Program Expenses:			
Administrative	19,841	18,012	10.2%
Professional Fees	61,812	57,958	6.6%
Utility Operator	148,085	133,756	10.7%
Maintenance	95,893	111,549	-14.0%
Utilities	32,636	25,826	26.4%
Insurance	16,114	16,564	-2.7%
Depreciation	267,465	266,044	0.5%
Interest on Long-term Debt	<u>136,907</u>	<u>141,183</u>	-3.0%
Total Expenses	<u>778,753</u>	<u>770,892</u>	1.0%
Decrease in Net Position	(100,513)	(145,135)	30.7%
Beginning Net Position	<u>3,158,427</u>	<u>3,303,562</u>	-4.3%
Ending net position	<u>\$ 3,057,914</u>	<u>\$ 3,158,427</u>	-3.2%

Capital Assets

At December 31, 2018 and 2017, the District had \$10,932,598 and \$6,604,624 respectively, invested in a broad range of capital assets, including land, buildings, utility systems, vehicles, and equipment.

During 2018, the District did not make any capital outlays.

Further detail on capital assets is presented in Note 4 on page 16.

	Business-type Activities	
	2018	2017
Land	\$ 148,358	\$ 148,358
Buildings	13,500	13,500
Utility property	10,770,740	10,770,740
Less Accumulated Depreciation	<u>(4,595,439)</u>	<u>(4,327,974)</u>
Totals	<u>\$ 6,337,159</u>	<u>\$ 6,604,624</u>

Economic Factors and Utility Rates

The District relies on user charges for the operations; therefore, activities are impacted by the number of users served and the consumption of water.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Edward Merrick, CPA at (225) 638-4501 or write to the District at 105 Gisele Street, New Roads, LA 70760.

WATERWORKS DISTRICT NO 2
STATEMENTS OF NET POSITION

(See Independent Auditors' Report and Accompanying Notes to Financial Statements)

	December 31,	
	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 57,472	\$ 43,045
Accounts Receivable (Net of Allowance of \$39,809 and \$33,795)	25,538	17,560
Prepaid Expenses	8,995	8,784
TOTAL CURRENT ASSETS	92,005	69,389
RESTRICTED ASSETS:		
USDA Restricted Reserves	451,356	414,273
TOTAL RESTRICTED ASSETS	451,356	414,273
NON-CURRENT ASSETS:		
Capital Assets (Net of Accumulated Depreciation)	6,337,159	6,604,624
TOTAL NON-CURRENT ASSETS	6,337,159	6,604,624
TOTAL ASSETS	\$ 6,880,520	\$ 7,088,286
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 39,751	\$ 48,998
Current Portion of Long-Term Debt	108,451	103,978
Accrued Interest Payable	10,344	10,680
TOTAL CURRENT LIABILITIES	158,546	163,656
NON-CURRENT LIABILITIES:		
Consumer Meter Deposits Payable	121,038	114,199
Long-Term Debt (Net of Current Portion)	3,530,350	3,638,806
TOTAL NON-CURRENT LIABILITIES	3,651,388	3,753,005
TOTAL LIABILITIES	3,809,934	3,916,661
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned Water Sales	12,672	13,198
<u>NET POSITION</u>		
NET POSITION:		
Invested in Capital Assets	2,698,358	2,861,840
Restricted - USDA Funds	451,356	414,273
Unrestricted (Deficit)	(91,800)	(117,686)
TOTAL NET POSITION	\$ 3,057,914	\$ 3,158,427

WATERWORKS DISTRICT NO 2
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 (See Independent Auditors' Report and Accompanying Notes to Financial Statements)

	For the Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Charges for Services		
Water Charges	\$ 658,463	\$ 577,623
Miscellaneous Charges	-	3,416
Penalties	19,565	17,516
TOTAL OPERATING REVENUES	<u>678,028</u>	<u>598,555</u>
OPERATING EXPENSES:		
Accounting and Billing Fees	50,553	47,895
Bad Debts	6,014	711
Board Member Compensation and Travel Reimbursements	5,745	7,858
Chemicals	11,332	7,298
Depreciation	267,465	266,044
Grass Cutting	7,260	6,870
Insurance	16,114	16,564
Meter Readers	20,057	23,632
Miscellaneous	5,855	6,987
Professional Fees	11,259	10,063
Publishing	952	1,168
Repairs, Maintenance and Supplies	57,244	73,749
State Water Fees	1,275	1,288
Utilities	32,636	25,826
Utility Operator	148,085	133,756
TOTAL OPERATING EXPENSES	<u>641,846</u>	<u>629,709</u>
NET OPERATING INCOME (LOSS)	36,182	(31,154)
NONOPERATING (EXPENSES) REVENUES:		
Grant Income	-	27,000
Interest Income	212	202
Interest on Long-Term Debt and Other Charges	(136,907)	(141,183)
TOTAL NONOPERATING EXPENSES	<u>(136,695)</u>	<u>(113,981)</u>
CHANGE IN NET POSITION	(100,513)	(145,135)
NET POSITION - BEGINNING	3,158,427	3,301,238
PRIOR PERIOD ADJUSTMENT	-	2,324
NET POSITION - ENDING	<u>\$ 3,057,914</u>	<u>\$ 3,158,427</u>

WATERWORKS DISTRICT NO 2
STATEMENTS OF CASH FLOWS

(See Independent Auditors' Report and Accompanying Notes to Financial Statements)

	For the Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 663,510	\$ 602,770
Payments to Suppliers	(377,825)	(373,004)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>285,685</u>	<u>229,766</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Meter Deposits Received net of Refunds	6,839	2,649
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,839</u>	<u>2,649</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets	-	(81,507)
Principal Paid on Capital Debt	(103,983)	(99,708)
Interest Paid on Capital Debt	(137,243)	(141,504)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(241,226)</u>	<u>(322,719)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned	212	202
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>212</u>	<u>202</u>
NET INCREASE (DECREASE) IN CASH	51,510	(90,102)
CASH - BEGINNING OF YEAR	457,318	547,420
CASH - END OF YEAR	<u>\$ 508,828</u>	<u>\$ 457,318</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Net Operating Income (Loss)	\$ 36,182	\$ (31,154)
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:		
Cash Flows Reported in Other Categories		
Depreciation expense	267,465	266,044
Bad Debt Expense	6,014	711
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Receivable	(13,992)	2,015
Prepaid Expenses	(211)	602
Accounts Payable	(9,247)	(10,652)
Unearned Water Charges	(526)	2,200
Net Cash Provided by Operating Activities	<u>\$ 285,685</u>	<u>\$ 229,766</u>



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

NOTES TO BASIC FINANCIAL STATEMENTS

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WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Waterworks District No. 2 of Pointe Coupee Parish, LA (the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on August 25, 1987 and October 13, 1987 under the authority of the provisions of Article VI, Section 19 of the 1974 Louisiana Constitution and R.S. 33:3811 et seq. The District provides potable water to portions of the Parish of Pointe Coupee. The District is governed by a board of five commissioners, who are residents of the District, appointed by the Pointe Coupee Parish Police Jury (PCP PJ) under the authority of R.S. 33:3813. All commissioners serve at the pleasure of the governing authority of the parish.

Financial Reporting Entity

The District is a component of the Parish of Pointe Coupee, the financial reporting entity. The Parish of Pointe Coupee is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District. The District is economically dependent on the Parish of Pointe Coupee.

The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Parish of Pointe Coupee, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying component unit financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant accounting policies established in GAAP and used by the District are discussed below.

Financial Statements

The District has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*. This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's Discussion and Analysis (MD&A)
- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- RSI other than MD&A, if applicable

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, deferred inflows, deferred outflows, net position, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The emphasis in fund financials is on the major funds in the business type activities. GASB No.34 sets forth minimum criteria for the determination of major funds. The District does not have any non-major funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports an Enterprise fund type.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The Water Enterprise fund operates the City's water distribution system, which primarily serves Pointe Coupee Parish residents.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities in the proprietary fund financial statements are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred. Non-exchange revenues, including grants, are reported when all eligibility requirements have been met.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District consists of water sales to residential and commercial users, including penalty charges, connection fees, and late charges. Operating expenses for District include the cost to distribute water, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Proprietary fund net positions are divided into three components:

Invested in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – This component of net position consists of assets that are restricted by the District's creditors, by the state enabling legislation, by grantors, and by other contributors. This includes cash reserve funds as required by the loan agreements with USDA and cash for customer deposits.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets."

Deferred Inflows of Resources

The District's statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported in the statements of net position for unearned water revenue. The District will not recognize the related revenues until they are available under accrual basis accounting.

Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposit accounts. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana and investments in United States bonds, treasury notes and bills.

Cash is classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value. As of December 31, 2018 and 2017, the District has no cash equivalents.

For cash flow purposes, cash includes unrestricted cash and restricted reserves.

Restricted Assets

Restricted assets on the balance sheet represents funds held for accounts required by U.S. Department of Agriculture - Rural Development (reserve account, short lived asset account, and depreciation and contingency account).

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Financial Statements

The carrying value of cash, accounts receivable and operating liabilities approximate fair value due to the short-term maturity of these instruments.

Accounts Receivable and Bad Debts

Accounts receivable represent amounts owed to the District from customer water usage net of the allowance for doubtful accounts. The District establishes an allowance equal to account balances of terminated customers.

The District requires a deposit on account from its customers as a source of collateral.

The District bills customers for other user fees charged by the Parish. When collected, the District remits these funds to the PCP PJ. The receivables and payables for these funds are not recognized in the assets and liabilities of the District since the District has no claim on these funds. Not included in accounts receivable and accounts payable on the financial statement are amounts billed on behalf of PCP PJ but not collected as of the end of the year. At December 31, 2018 and 2017, these amounts totaled \$15,201 and \$7,818 respectively. Once funds are collected from the customer, the District records a payable to the PCP PJ in its current liabilities. The District included in accounts payable amounts collected from customers and owed to PCP PJ totaling \$8,383 and \$7,469 for the years ended December 31, 2018 and 2017, respectively.

Capital Assets

Additions to the utility plan in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; additions, improvements, and other capital assets with an original cost of \$5,000 or more are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on depreciable property using the straight-line method. Estimated useful lives are as follows:

Water System	10 – 50 Years
Buildings	20 Years

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. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward unrestricted resources and then toward restricted resources. Due to the nature of the restricted resources, all use of restricted resources must be approved by USDA.

Concentration of Credit Risk

The Corporation extends credit to its customers, including governmental agencies, private homeowners and businesses. Although the majority of these customers are located in New Roads, Louisiana, the District does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose deposits that are insured with no custodial credit risk. GASB Statement 40 requires only the separate disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either: 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at December 31, 2018, consisted of the following:

	<u>Cash</u>	<u>Total</u>
Deposits in bank accounts per bank	\$ 506,420	\$ 506,420
Bank balances exposed to custodial credit risk:		
a) Uninsured and uncollateralized	256,420	256,420
b) Uninsured and collateralized with securities held by the pledging institution	-	-

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable consisted of the following at December 31,

	<u>2018</u>	<u>2017</u>
Water Customers	\$65,347,156,792	\$ 135,915
Accounts Billed on Behalf of PCP PJ	<u>15,201</u>	<u>7,818</u>
Accounts Receivable, Gross	80,548	59,173
Less: Amounts Billed on Behalf of PCP PJ	(15,201)	(7,818)
Less: Allowance for Doubtful Accounts	<u>(39,809)</u>	<u>(33,795)</u>
Accounts Receivable, Net	<u>\$ 25,538</u>	<u>\$ 17,560</u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>01/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/18</u>
Land (not depreciated)	\$ 148,358	\$ -	\$ -	\$ 148,358
Buildings	13,500	-	-	13,500
Utility Property	<u>10,770,740</u>	-	-	<u>10,770,740</u>
	10,932,598	-	-	10,932,598
Accumulated Depreciation	<u>(4,327,974)</u>	<u>(267,465)</u>	-	<u>(4,595,439)</u>
	<u>\$ 6,604,624</u>			<u>\$ 6,337,159</u>

	<u>01/01/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2017</u>
Land (not depreciated)	\$ 148,358	\$ -	\$ -	\$ 148,358
Buildings	4,000	13,500	(4,000)	13,500
Utility Property	<u>10,662,233</u>	<u>108,507</u>	-	<u>10,770,740</u>
	10,814,591	122,007	(4,000)	10,932,598
Accumulated Depreciation	<u>(4,065,930)</u>	<u>(266,044)</u>	-	<u>(4,327,974)</u>
	<u>\$ 6,748,661</u>			<u>\$ 6,604,624</u>



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – LONG-TERM DEBT OBLIGATIONS

The District's debt consists of USDA Bonded Debt. The following summarizes debt transactions for the year ended December 31, 2018 :

	Balance 01/01/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
\$451,300 Revenue	\$ 242,992	\$ -	\$ (16,624)	\$ 226,368	\$ 17,690
\$110,000 Revenue	82,566	-	(2,392)	80,174	2,502
\$556,000 Revenue	417,335	-	(12,093)	405,242	12,647
\$356,000 Revenue	277,491	-	(6,878)	270,613	7,193
\$1,250,000 Revenue	810,543	-	(32,288)	778,255	33,769
\$2,050,000 Revenue	1,911,857	-	(33,708)	1,878,149	34,650
	<u>\$ 3,742,784</u>	<u>\$</u>	<u>\$ (103,983)</u>	<u>\$ 3,638,801</u>	<u>\$ 108,451</u>

Long-term debt obligations for the District at 12/31/2018 are comprised of the following:

Revenue Bonds:

\$451,300 Waterworks Revenue Bonds, dated April 3, 1989, due in monthly installments of \$2,612 beginning April 1992 through August 2028, including interest at 6.25%	\$ 226,368
\$110,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$505 beginning May 2001 through February 2039, including interest at 4.5%	80,174
\$556,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$2,552 beginning May 2001 through February 2039, including interest at 4.5%	405,242
\$356,000 U.S. Department of Agriculture – RUS, dated June 7, 2001, due in monthly installments of \$1,602 beginning June 2001 through May 2041, including interest at 4.5%	270,613
\$1,250,000 U.S. Department of Agriculture – RUS, dated February 15, 2005, due in monthly installments of \$5,675 beginning February 2005 through January 2035, including interest at 4.5%	778,255
\$2,050,000 Waterworks Revenue Bonds, dated July 24, 2012, due in monthly installments of \$7,155 beginning August 2013 through July 2052, including interest at 2.75%	<u>1,878,149</u>
Total Indebtedness	<u>\$3,638,801</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – LONG-TERM DEBT OBLIGATIONS (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize debt outstanding at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	108,451	132,755	241,206
2020	113,132	128,074	241,206
2021	118,031	123,175	241,206
2022	123,159	118,047	241,206
2023	128,528	112,678	241,206
2024-2028	720,889	485,139	1,206,028
2029-2033	722,991	326,345	1,049,336
2034-2038	588,229	194,382	782,611
2039-2043	365,462	114,438	479,900
2044-2048	363,993	65,307	429,300
2049-2052	285,936	14,112	300,048
	<u>\$ 3,638,801</u>	<u>\$ 1,814,452</u>	<u>\$ 5,453,253</u>

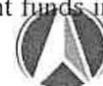
Bond Restrictions

In accordance with the indentures governing the revenue bonds, cash is periodically deposited into accounts administered by a trustee bank. These bonds are a direct liability to be serviced by the earnings of the District. Deposits are made to these trust accounts in accordance with the requirements as follows: All revenue derived from operations are to be deposited in a "Revenue Fund" in a bank that is a member of Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers are made on a monthly basis to designated trust accounts.

Required monthly transfers from the "Revenue Fund" are to be made into a "Bond Fund" to provide payment of the next maturing interest and principal of the revenue bonds. The District has opted to make monthly payments on the bonds instead of annual payments; therefore, the use of the "Bond Fund" is not required.

Required monthly transfers of \$874 are to be made from the "Revenue Fund" into a "Reserve Fund" until a sum equal to the highest annual principal and interest on all outstanding bonds of the District. As of December 31, 2018, this is \$241,206. This fund is restricted to payment of principal and interest in case of default. At December 31, 2018, \$136,340 had accumulated in this fund.

Required monthly transfers of \$874 are to be made from the "Revenue Fund" into a "Depreciation and Contingency Fund". This fund is restricted to payments for unusual or extraordinary maintenance and repairs. Replacement and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the "Bond Fund" or "Reserve Fund". At December 31, 2018, \$121,985 had accumulated in this fund.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – LONG-TERM DEBT OBLIGATIONS (Continued)

Required monthly transfers of \$3,013 are to be made from the "Revenue Fund" into a "Short Lived Asset Fund". This fund is restricted to payments for replacement and repairs of assets. At December 31, 2018, \$193,031 had accumulated in this fund.

	Short Lived Asset Fund	Reserve Fund	Depreciation & Contingency Fund
Balance – December 31, 2017	\$ 156,792	\$ 135,915	\$ 121,566
Monthly Deposits	36,156	358	358
Interest Earned	83	67	61
Distribution(s) Authorized by USDA	-	-	-
Transfer(s) between Restricted Accounts	-	-	-
Balance – December 31, 2018	\$ 193,031	\$ 136,340	\$ 121,985
Amount Required by Bond Resolutions	<u>117,507</u>	<u>134,791</u>	<u>134,157</u>
Surplus (Deficit) – December 31, 2018	<u>\$ 75,524</u>	<u>\$ 1,549</u>	<u>\$ (12,172)</u>

Overall the three required accounts have a net surplus of \$64,898.

NOTE 6 – CONTINGENCIES**Litigation**

There is no pending litigation against the District.

Environmental Contingencies

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water systems on a regular basis and providing the test results to the proper environmental authorities.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7 – COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the board members is as follows:

	<u>2018</u>	<u>2017</u>
Van J. Debetaz	\$ 1,000	\$ 1,200
Marvin Losavio	1,200	1,200
Mark Major	1,200	1,300
Tommy Montgomery	100	1,400
Ron Pourciau	100	0
Kelly Rivet	<u>1,000</u>	<u>1,400</u>
	<u>\$ 4,600</u>	<u>\$ 6,500</u>

NOTE 8 - MAINTENANCE AGREEMENT

The District entered into a maintenance agreement with M & C Water, L.L.C. ("Contractor") for the maintenance of all service lines to minimum standards of the State of Louisiana, maintenance of eight wells, after hour call outs for necessary repairs and maintenance, disconnect water service, and attendance at board meetings. The Contractor is to be paid \$4.55 per meter per month for all routine service, \$150 or \$200 per new service taps, \$100 per hour for repairs, \$1 per meter for readings, \$20 per disconnect service, and \$100 per hour to repair hydrants. The Agreement was renewed on November 1, 2008 and renewed again in November, 2011. Fees incurred under the agreement for the year ended December 31, 2018 and 2017 were \$148,085 and \$133,756, respectively.

NOTE 9 - FINANCIAL SERVICES & BILLING AGREEMENTS

The District has entered into a financial service and billing agreement with Merrick & Hogan, CPAs for accounting and billing services. For the year ended December 31, 2018 and 2017, fees and reimbursed costs incurred under the agreements amounted to \$50,553 and \$47,895, respectively.

NOTE 10 - LEASE AGREEMENT

On April 4, 1989, a lease was obtained from Perry Glenn Gustin for a certain lot of land for the purpose of constructing and operating a water district plant and system. The lease was made and accepted for a term of fifty (50) years, effective April 3, 1989, and ending April 3, 2039. The agreement was amended on November 30, 1989 and then again on July 1, 1999. The rental for the use of this property is free water usage for his present household and shop building during the term of the lease at the rate of \$42 per month or \$502 per annum.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11 – GRANT AGREEMENT

As part of the USDA financing of the new water well project, USDA also awarded a \$625,000 grant to cover development costs in excess of the loan amount. The District placed the new water well into service in December 2015. During December 31, 2017, \$27,000 of these funds were awarded to the District. No grant funds were received in 2018.

NOTE 12 – STATE FEES

Certain fees required by the Louisiana Department of Health and Hospitals are passed on to the District's customers. These fees are billed, collected, and remitted to the appropriate state agency and are not included in the revenues and expenses of the District.

NOTE 13 – NONCASH FINANCING AND INVESTING ACTIVITIES

Non cash investing and financing activities in 2017 consist of a \$27,000 grant paid by PCP PJ to a vendor for costs of water improvements and financing the cost of buildings through a \$13,500 trade account. In addition, the District disposed of a building with a cost and accumulated depreciation of \$4,000.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the year, the District voided stale checks from prior years totaling \$2,324. A prior period adjustment has been made to increase the beginning balances of cash and unrestricted net position at January 1, 2017, by this amount.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 25, 2019, which is the date the financials were available to be issued.

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.



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

Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, 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 Waterworks District No. 2 of Pointe Coupee Parish, LA (the District), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
June 25, 2019



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018

Section A – Summary of Auditors’ Reports

- The auditors’ report expresses an unmodified opinion on the financial statements of the Waterworks District No. 2 of Pointe Coupee Parish, LA.
- No deficiencies were disclosed during the audit of the financial statements.
- No instances of noncompliance were disclosed during the audit of the financial statements.

Section B - Financial Statement Findings

Current Year – None

Prior Year – None

Supplemental Information Required by USDA

(Unaudited)



TWRU
CPAs & Financial Advisors

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
 Supplemental Information Required by USDA (Unaudited)
 December 31, 2018 and 2017

Water Customers and Rates

At December 31, 2018, the District billed the following number of customers:

<u>Rate Code/Description</u>	<u>Customers</u>	<u>Rate</u>
W1 – Residential	1,391	\$ 14.00 – 1 st 2,000 gallons \$ 4.00 – per thousand, over 2,000 gallons
W2 – Commercial	22	\$ 41.00 – 1 st 10,000 gallons \$ 4.00 – per thousand, over 10,000 gallons
W4 – Industrial	2	\$ 881.00 – 1 st 1,000,000 gallons \$ 4.00 – per thousand, over 1,000,000 gallons
W5 – Batchelor Elementary	1	\$ 450.00 – per month flat rate
W6 – P. C. Central High	1	\$ 1,500.00 – per month flat rate
W7 – Camps	61	\$ 14.00 – 1 st 2,000 gallons \$ 4.00 – per thousand, next 8,000 gallons \$ 4.00 – per thousand, over 10,000 gallons
W8 – Farmers	41	\$ 21.94 – 1 st 2,000 gallons \$ 4.00 – per thousand, over 2,000 gallons
W9 – Sheriff	1	\$ 21.94 – 1 st 2,000 gallons \$ 4.00 – per thousand, over 2,000 gallons
W10 – Governmental	0	\$ 41.00 – 1 st 10,000 gallons \$ 4.00 – per thousand, over 10,000 gallons

Aged Accounts Receivable

At December 31, 2018, the receivables due from customers are as follows:

	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91-120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Gross	\$ 21,241	\$ 3,743	\$ 1,137	\$ 2,252	\$ 36,974	\$ 65,347
Allowance	(209)	(692)	(216)	(1,777)	(36,915)	(39,809)
Net	<u>\$ 21,032</u>	<u>\$ 3,051</u>	<u>\$ 921</u>	<u>\$ 475</u>	<u>\$ 59</u>	<u>\$ 25,538</u>



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
 Supplemental Information Required by USDA (Unaudited)
 December 31, 2018 and 2017

Issuer/Insurer	Insurance in Force		Coverage	Effective
	Type of Insurance	Limit Description		
Cazayoux Insurance Agency Dates 07/31/18 – 07/31/19				
American Alternative Insurance Corporation	General Liability: Bodily injury and property damage	Per occurrence	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
		Medical expense		
		Per accident	\$ 10,000	
	Personal injury and advertising injury	Per person or organization	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
	Professional liability	Per claim	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
	Directors and Officers	Occurrence	\$ 1,000,000	
	Cyber Liability	Occurrence	\$ 1,000,000	
Umbrella Policy	Per person	\$ 1,000,000		
	Aggregate	1,000,000		
Property	Replacement Cost	\$ 5,354,853		
	Loss of Income	\$ 250,000		
L. Bouanchaud Insurance Agency, Inc. 05/15/18 – 05/15/19				
CAN Surety	Fidelity Bond			
		Per Occurrence	\$ 241,206	

Other Supplemental Information



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CPAs & Financial Advisors

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

SCHEDULES OF COMPENSATION, REIMBURSEMENTS, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER

For the Year Ended December 31, 2018 and 2017

Agency Head Name: There is no agency head, political subdivision head or chief executive officer.

Board Members were paid the following in non-employee compensation for attending board meetings.

	<u>2018</u>	<u>2017</u>
Van J. Debetaz	\$ 1,000	\$ 1,200
Marvin Losavio	1,200	1,200
Mark Major	1,200	1,300
Tommy Montgomery	100	1,400
Ron Pourciau	100	-
Kelly Rivet	<u>1,000</u>	<u>1,400</u>
	<u>\$ 4,600</u>	<u>\$ 6,500</u>

Board Members were paid the following in travel reimbursement for attending board meetings.

	<u>2018</u>	<u>2017</u>
Van J. Debetaz	\$ 257	\$ 309
Marvin Losavio	309	309
Mark Major	154	167
Tommy Montgomery	23	328
Kelly Rivet	<u>176</u>	<u>245</u>
	<u>\$ 919</u>	<u>\$ 1,358</u>

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Waterworks District No.2 (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. 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
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
 - 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.
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
 - c) **Disbursements**, including processing, reviewing, and approving
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
 - 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).
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Not Applicable.
- 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
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
- 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)
Not Applicable.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
- 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.
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Exception: The District does not have any written policies or procedures to present.
Management's Corrective Action/Response: Management will work to establish written policies.

Board or Finance Committee

- 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:
 - 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.
Not Applicable.
 - 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.
Not Applicable.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Not Applicable.

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);
No Exceptions Noted.
 - 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
Exception: There was no evidence that a board member reviewed the bank reconciliation.
Management's Corrective Action/Response: We will present monthly reconciliations to the board for review and approval.
 - 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.
Exception: There was no evidence that outstanding items were researched.
Management's Corrective Action/Response: Some old outstanding items were voided. Management will continue to review outstanding checks at least twice a year and keep documentation of items researched.

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).
No Exceptions Noted.
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.
No Exceptions Noted.

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.

No Exceptions Noted.

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.

No Exceptions Noted.

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.

No Exceptions Noted.

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

No Exceptions Noted.

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.

Not Applicable.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Not Applicable.

c) Trace the deposit slip total to the actual deposit per the bank statement.

Not Applicable.

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).

Not Applicable.

e) Trace the actual deposit per the bank statement to the general ledger.

Not Applicable.

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).

No Exceptions Noted.

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.

Exception: The district does not use purchase orders.

Management's Response/Corrective Action: Due to the small nature of the entity management feels a purchase order system would not be cost effective.

- b) At least two employees are involved in processing and approving payments to vendors.

No Exceptions Noted.

- 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.

Exception: There was no documentation prohibiting the person responsible for processing payments from adding vendors.

Management's Response/Corrective Action: Due to the small nature of the District and limited personnel working on the account, it is not cost effective to have a different person add vendors. The CPA firm receives the bills and adds vendors as necessary. They do not have signature authority on any of the accounts. An authorized signer must review the invoice and approves it by signing the check. Management feels this is sufficient control.

- 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.

No Exceptions Noted.

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.

Exception: The invoices did not show any sign of approval but the monthly board minutes record the board's review of the monthly invoices and checks to be written.

Management's Corrective Action/Response: Due to the small nature of the entity management feels their system is the most efficient way to process payments.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

Not Applicable.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]

Not Applicable.

b) Observe that finance charges and late fees were not assessed on the selected statements.

Not Applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Not Applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. 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).

Not Applicable.

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

Not Applicable.

- 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.

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

Exception: There is no evidence of review and approval for travel reimbursements.

Management's Corrective Action/Response: The only travel paid is to reimburse board members and the note taker for travel to meetings. Payments are made based on recorded attendance in the meeting minutes. Management feels this practice is adequate.

Contracts

- 15. 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.

Not Applicable.

- 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).

No Exceptions Noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Not Applicable.

- 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.

No Exceptions Noted.

Payroll and Personnel

- 16. 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.

Not Applicable.

17. 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 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.)
Not Applicable.
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
Not Applicable.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
Not Applicable.
18. 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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
Not Applicable.
19. 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.
Not Applicable.

Ethics

20. 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.
Exception: No documentation was provided to demonstrate the board members completed the required ethics training.
Management's Corrective Action/Response: Management will discuss ethics training requirement with board members.
 - 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.
Exception: The District does not have an ethics policy.
Management's Corrective Action/Response: Management will discuss ethics training requirement with board members.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not Applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exception: One of the required reserve accounts was underfunded.

Management's Corrective Action/Response: Management has been in contact with USDA and another required account and was told that they had no underfunded accounts. Two account are overfunded so they assume USDA is considering all three restricted accounts in total.

Other

23. 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.

Not Applicable.

24. 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.

Not Applicable.

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.

TWRU

CPAs & Financial Advisors

Baton Rouge, Louisiana

June 25, 2019