

**LAFAYETTE PARISH WATERWORKS
DISTRICT NORTH**

Lafayette, Louisiana

Financial Report

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of and for the years ended December 31, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of Lafayette Parish Waterworks District North, as of December 31, 2018 and 2017, and the respective changes in financial position and the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 11, 2019

BASIC FINANCIAL STATEMENTS

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

Statements of Net Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 719,886	\$ 1,005,686
Receivables (net of allowance for uncollectible accounts - \$13,430 and \$13,430, respectively)	427,996	415,671
Prepaid expenses	28,497	25,286
Total current assets	1,176,379	1,446,643
Noncurrent assets:		
Restricted assets:		
Revenue bond and interest sinking account -		
Interest-bearing deposits	545,587	525,349
Revenue bond reserve account -		
Interest-bearing deposits	780,279	779,890
Revenue bond contingency account -		
Interest-bearing deposits	312,263	312,108
Customer deposits -		
Cash	294,350	272,721
Total restricted assets	1,932,479	1,890,068
Net capital assets	7,504,871	7,077,128
Total noncurrent assets	9,437,350	8,967,196
Total assets	\$ 10,613,729	\$ 10,413,839

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

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities - (payable from current assets)		
Accounts payable	\$ 155,078	\$ 169,852
Accrued liabilities	67,011	38,540
Payroll liabilities	<u>3,934</u>	<u>3,479</u>
Total current liabilities - (payable from current assets)	<u>226,023</u>	<u>211,871</u>
Current liabilities - (payable from restricted assets)		
Membership deposits	148,310	140,305
Accrued interest payable	22,132	24,795
Revenue bonds payable	<u>372,000</u>	<u>361,000</u>
Total current liabilities - (payable from restricted assets)	<u>542,442</u>	<u>526,100</u>
Total current liabilities	768,465	737,971
Noncurrent liabilities -		
Revenue bonds payable	<u>2,597,557</u>	<u>2,966,538</u>
Total liabilities	<u>3,366,022</u>	<u>3,704,509</u>
Net position:		
Investment in capital assets, net of related debt	4,907,314	4,110,590
Restricted for debt service	1,243,997	1,231,552
Unrestricted	<u>1,096,396</u>	<u>1,367,188</u>
Total net position	<u>7,247,707</u>	<u>6,709,330</u>
Total liabilities and net position	<u>\$ 10,613,729</u>	<u>\$ 10,413,839</u>

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

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Charges for services -		
Water sales and fees	<u>\$ 4,402,456</u>	<u>\$ 3,787,033</u>
Operating expenses:		
Cost of water sold	2,153,748	2,059,609
Contract labor	47,538	47,593
Professional fees	285,302	318,413
Depreciation expense	387,410	380,883
Amortization expense	3,019	3,019
Director fees	3,000	3,840
Insurance expenses	158,751	129,033
Repairs and maintenance	69,058	46,646
Utilities	6,582	5,827
Salaries and related benefits	428,758	382,218
Office expenses and supplies	<u>229,892</u>	<u>221,662</u>
Total operating expenses	<u>3,773,058</u>	<u>3,598,743</u>
Net operating income	<u>629,398</u>	<u>188,290</u>
Nonoperating revenues (expenses):		
Interest and investment income	1,317	1,740
Interest expense	(96,370)	(106,871)
Miscellaneous	<u>4,032</u>	<u>2,836</u>
Total nonoperating expenses	<u>(91,021)</u>	<u>(102,295)</u>
Change in net position	538,377	85,995
Net position, beginning	<u>6,709,330</u>	<u>6,623,335</u>
Net position, ending	<u>\$ 7,247,707</u>	<u>\$ 6,709,330</u>

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

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

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$4,390,131	\$3,687,933
Payments to suppliers	(2,943,385)	(2,791,472)
Payments to employees	(428,303)	(380,273)
Net cash flows provided from operating activities	<u>1,018,443</u>	<u>516,188</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Principal paid on bonds	(361,000)	(356,029)
Interest paid on bonds	(99,033)	(109,460)
Acquisition and construction of capital assets	(815,153)	(1,090,886)
Net increase in membership deposits	8,005	10,720
Other receipts	4,032	2,836
Net cash flows used for capital and financing activities	<u>(1,263,149)</u>	<u>(1,542,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	<u>1,317</u>	<u>1,740</u>
Net cash flows provided from investing activities	<u>1,317</u>	<u>1,740</u>
Decrease in cash and cash equivalents	(243,389)	(1,024,891)
Cash and cash equivalents, beginning of period	<u>2,895,754</u>	<u>3,920,645</u>
Cash and cash equivalents, end of period	<u>\$2,652,365</u>	<u>\$2,895,754</u>

(continued)

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

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

Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 629,398	\$ 188,290
Adjustments to reconcile operating income to net cash provided by operating activity:		
Depreciation	387,410	380,883
Amortization	3,019	3,019
Change in current assets and liabilities -		
Accounts receivable	(12,325)	(99,100)
Prepaid expenses	(3,211)	(4,782)
Accounts payable	(14,774)	36,735
Other liabilities	28,471	9,198
Payroll liabilities	455	1,945
Net cash provided by operating activities	\$ 1,018,443	\$ 516,188
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 1,005,686	\$ 2,065,789
Cash - restricted	1,890,068	1,854,856
Total cash and cash equivalents	2,895,754	3,920,645
Cash and cash equivalents, end of period -		
Cash - unrestricted	719,886	1,005,686
Cash - restricted	1,932,479	1,890,068
Total cash and cash equivalents	2,652,365	2,895,754
Net decrease	\$ (243,389)	\$(1,024,891)

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

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

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

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

Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

Fund Accounting

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

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Fund –

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

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

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

Cash and Interest-bearing Deposits

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

Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2018 the District has no investments.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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

Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

Capital Assets

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

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

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

Compensated Absences

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

Equity Classifications

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

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenues and Expenses

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

Use of Estimates

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

Subsequent Events

We have evaluated events subsequent to the balance sheet date through June 11, 2019, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2018 and 2017, the District had cash and interest-bearing deposits (book balances) totaling \$2,652,365 and \$2,895,754, respectively, as follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 528,446	\$ 692,890
Time deposits and money market accounts	<u>2,123,919</u>	<u>2,202,864</u>
Total	<u>\$2,652,365</u>	<u>\$2,895,754</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2018. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 2018, are secured as follows:

Bank balances	<u>\$2,729,013</u>
At December 31, 2018, the deposits are secured as follows:	
Federal deposit insurance	\$ 310,744
Trust assets	<u>2,418,269</u>
	<u>\$2,729,013</u>

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at December 31:

	<u>2018</u>	<u>2017</u>
Revenue bond and interest sinking account	\$ 545,587	\$ 525,349
Revenue bond reserve account	780,279	779,890
Revenue bond contingency account	312,263	312,108
Customers' deposits	<u>294,350</u>	<u>272,721</u>
Total restricted assets	<u>\$1,932,479</u>	<u>\$1,890,068</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS

A summary of changes in property and equipment follows:

	2018			
	Beginning Balance			Ending Balance
	1/1/2018	Increases	Decreases	12/31/2018
Land	\$ 60,675	\$ -	\$ -	\$ 60,675
Buildings and improvements	408,514	151,091	-	559,605
Furniture, fixtures and equipment	288,555	17,554	-	306,109
Water system	11,700,179	161,113	-	11,861,292
Easement acquisitions	20,380	-	-	20,380
Construction in progress	792,937	797,599	312,204	1,278,332
Total	13,271,240	1,127,357	312,204	14,086,393
Less: Accumulated depreciation	(6,194,112)	(387,410)	-	(6,581,522)
Net Utility Fund property, plant and equipment	<u>\$7,077,128</u>	<u>\$ 739,947</u>	<u>\$ 312,204</u>	<u>\$7,504,871</u>
	2017			
	Beginning Balance			Ending Balance
	1/1/2017	Increases	Decreases	12/31/2017
Land	\$ 60,675	\$ -	\$ -	\$ 60,675
Buildings and improvements	408,514	-	-	408,514
Furniture, fixtures and equipment	270,910	17,645	-	288,555
Water system	11,246,896	453,283	-	11,700,179
Easement acquisitions	20,380	-	-	20,380
Construction in progress	172,979	1,085,791	465,833	792,937
Total	12,180,354	1,556,719	465,833	13,271,240
Less: Accumulated depreciation	(5,813,229)	(380,883)	-	(6,194,112)
Net Utility Fund property, plant and equipment	<u>\$6,367,125</u>	<u>\$ 1,175,836</u>	<u>\$ 465,833</u>	<u>\$7,077,128</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$387,410 and \$380,883, respectively.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT

The following is a summary of utility revenue bond transactions of the District for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Long-term debt payable at January 1	\$3,356,970	\$3,713,000
Long-term debt retired and called	<u>(361,000)</u>	<u>(356,030)</u>
Long-term debt payable at December 31	<u>\$2,995,970</u>	<u>\$3,356,970</u>

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

	<u>2018</u>	<u>2017</u>
Utility Revenue Bonds:		
\$5,113,316 Refunding Bonds, Series 2013, due in annual installments of \$136,000 to \$417,000 through October 1, 2027: interest at 2.95 percent	<u>\$2,995,970</u>	<u>\$3,356,970</u>
Less: Current Portion	(372,000)	(361,000)
Less: Unamortized bond issuance cost	<u>(26,413)</u>	<u>(29,432)</u>
	<u>\$2,597,557</u>	<u>\$2,966,538</u>

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 372,000	\$ 88,530	\$ 460,530
2020-2024	1,983,000	273,524	2,256,524
2025-2027	<u>640,970</u>	<u>31,270</u>	<u>672,240</u>
	<u>\$ 2,995,970</u>	<u>\$ 393,324</u>	<u>\$ 3,389,294</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 6 RISK MANAGEMENT

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

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

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment. There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 25 percent of the amount to be paid into the sinking fund until the sum of \$469,262 has been accumulated. Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,305 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system. All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose. The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2018.

NOTE 8 COMPENSATION OF BOARD MEMBERS

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2018 follows:

	<u>Amount</u>
Harold Hebert, President	\$ 480
Board members:	
Anna Rocca	360
Jared Richard	300
Kenny Suire	300
Martin Mouton	240
Paul Champagne	360
Preston Bernard	480
Robert Marceaux	300
Toby Domingue	180
	<u>\$ 3,000</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 9 RELATED PARTY TRANSACTIONS

The District has an agreement with Lafayette Consolidated Government whereas, Consolidated Government installs certain services and sells water to certain District customers, collects the monthly billings from the customers, and remits the net amount collected to the District monthly after deducting charges and cost of water sold. Included in water sales and fees is \$2,518,981 billed by Lafayette Consolidated Government and included in cost of water sold is \$1,282,978 withheld by Lafayette Consolidated Government for cost of water sold and services installed.

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

	<u>Amount</u>
Harold Hebert, President	
Salary	\$ 480

SUPPLEMENTARY INFORMATION

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**



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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (the District), as of and for the year ended December 31, 2018, 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 11, 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 11, 2019

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Lafayette Parish Waterworks District North's financial statements as of and for the year ended December 31, 2018.

Control and Significant Deficiencies and Material Weaknesses - Financial Reporting

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

Material Noncompliance - Financial Reporting

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

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2018.

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

This section is not applicable for the year ended December 31, 2018.

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

Part III Findings and Questioned Costs Relating to the Federal Programs

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

Part IV Management Letter

The auditor did not issue a management letter this year.

OTHER SUPPLEMENTARY INFORMATION

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Summary Schedule of Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2018

This section is not applicable for the year ended December 31, 2018.

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

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Water meters in service -		
Residential	9,832	9,765
Commercial	418	431

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2018

<u>Description of Coverage</u>	<u>Expiration Dates</u>	<u>Coverage Amounts</u>
Automobile	4/9/2019	\$ 1,000,000
Automobile excess liability	4/9/2019	1,000,000
Commercial general liability -	4/9/2019	
Each occurrence		1,000,000
General aggregate		3,000,000
Fire damage		1,000,000
Medical		10,000
Crime -	4/9/2019	
Varies per class		100,000 - 250,000
Excess Liability -	4/9/2019	
Each occurrence		1,000,000
Aggregate		1,000,000
Property -	4/9/2019	
Building		623,256 (blanket limit)
Business personal property		Included in the blanket limit
Loss of income/extra expense		500,000/500,000
Public Officials and Management Liability	4/9/2019	
Aggregate limit		3,000,000
Each wrongful act or offense		1,000,000
Each action or injunctive relief		5,000
Workers Compensation	4/9/2019	
Each accident		500,000
Disease – each employee		500,000
Disease – policy limit		500,000
Employed Lawyer Professional Liability	4/1/2019	
Each claim		1,000,000
Aggregate		1,000,000
Intra-organization defense claims		500,000
Flood (Office/Warehouse)	10/10/2019	
Building		180,500
Contents		42,000

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

Accounts Receivable Aging Schedule
 (Unaudited)
 December 31, 2018 and 2017

	2018	2017
Number of days -		
0-30	\$ 441,426	\$ 429,101
31-60	-	-
61-90	-	-
Over 90	-	-
Total	\$ 441,426	\$ 429,101

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

Rate Schedule for Residential and Commercial Customers
(Unaudited)
December 31, 2018 and 2017

	2018	2017
First 2,000 gallons -		
Residential		
3/4" meter size	\$ 18.60	\$ 15.50
1", 1-1/2" and 2" meter size	21.60	18.50
Commercial		
3/4" and 1" meter size	21.60	18.50
1-1/2" meter size	22.80	19.70
2" meter size	32.10	29.00
Every 1,000 gallons thereafter -		
Residential	3.20	2.90
Commercial	3.40	3.10



OTHER LOCATIONS:

Eunice Morgan City Abbeville

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Lafayette Parish Waterworks District North and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the AUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget:
Written policies and procedures were obtained and do address the functions noted above.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes:
Written policies and procedures were obtained and do address the functions noted above.
 - c) ***Disbursements***, including processing, reviewing, and approving:
Written policies and procedures were obtained and do address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits:
Written policies and procedures were obtained and do address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:
Written policies and procedures were obtained and do address the functions noted above.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process:
Written policies and procedures were obtained and do address the functions noted above.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage:
Written policies and procedures were obtained and do address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:
Written policies and procedures were obtained and do address the functions noted above.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits:
Written policies and procedures were obtained and do address the functions noted above.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:
Written policies and procedures were obtained and do address the functions noted above.

Board (or Finance Committee, if applicable)

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Bank Reconciliations

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Collections

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Travel and Expense Reimbursement

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Contracts

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Payroll and Personnel

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

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

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

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy:

No exceptions noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.):

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

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

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

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave:

Documentation of written leave records were maintained for employees selected.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management:

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

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines:

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

Ethics (excluding nonprofits)

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Debt Service (excluding nonprofits)

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Other

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

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

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 11, 2019