

**NORTH FRANKLIN WATER WORKS, INCORPORATED
CROWVILLE, LOUISIANA**

**FINANCIAL STATEMENTS
AND
ACCOUNTANT'S REPORT**

YEAR ENDED DECEMBER 31, 2018

NORTH FRANKLIN WATER WORKS, INC.
CROWVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
North Franklin Water Works, Inc.
Crowville, Louisiana

We have reviewed the accompanying financial statements of North Franklin Water Works, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the Schedule of Compensation, Benefits and other Payments to the Agency Head or Chief Executive Director and the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.


MARCUS, ROBINSON & HASSELL, CPAs
Winnsboro, Louisiana
April 15, 2019

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents (Notes 1 & 3)	399,747
Restricted Cash and Cash Equivalents (Notes 1, 3 & 8)	276,475
Accounts Receivable (Note 9)	66,745
Less: Allowance for Uncollectible Accounts	<u>(3,337)</u>
<u>TOTAL CURRENT ASSETS</u>	<u>739,630</u>

FIXED ASSETS (Notes 1 & 4)

Land and Land Rights	106,963
Production and Distribution System	7,082,624
Vehicles	243,409
Office Equipment	58,815
Transportable Equipment	189,938
Building and Improvement	<u>91,629</u>
	7,773,378
Less: Accumulated Depreciation	<u>(3,856,204)</u>
<u>TOTAL FIXED ASSETS</u>	<u>3,917,174</u>

<u>TOTAL ASSETS</u>	<u>4,656,804</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	34,008
Interest Payable	30,750
Customer Deposits	62,282
Current Portion of Mortgage Payable (Note 5)	<u>149,000</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>276,040</u>

LONG-TERM LIABILITIES

Mortgage Payable (Note 5)	<u>2,905,616</u>
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<u>TOTAL LIABILITIES</u>	3,181,656
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NET ASSETS

Without Donor Restrictions	1,198,673
With Donor Restrictions	<u>276,475</u>

<u>TOTAL NET ASSETS</u>	<u>1,475,148</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>4,656,804</u>
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See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2018

REVENUES

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Water Sales	956,455	0	956,455
Membership Fees	2,050	0	2,050
Reconnection Fees	1,850	0	1,850
Other Operating Revenues	39,533	0	39,533
Interest Income	6,691	0	6,691
Grant Income	117,289	0	117,289
Collection Fees	6,000	0	6,000
Miscellaneous	7,659	0	7,659
<u>TOTAL REVENUES</u>	<u>1,137,527</u>	<u>0</u>	<u>1,137,527</u>

EXPENSES

Administrative Fees	10,537	0	10,537
Casual Labor	24,130	0	24,130
Depreciation	275,743	0	275,743
Employee Benefits	72,485	0	72,485
Health Department Fees	11,543	0	11,543
Insurance	26,161	0	26,161
Interest	103,979	0	103,979
Legal, Accounting and Professional Fees	3,257	0	3,257
Miscellaneous	19,673	0	19,673
Postage	9,289	0	9,289
Repairs & Maintenance	1,700	0	1,700
Retirement	8,034	0	8,034
Salaries - Maintenance	182,247	0	182,247
Salaries - Office	152,648	0	152,648
Supplies	235,258	0	235,258
Taxes - Payroll	31,427	0	31,427
Telephone	2,856	0	2,856
Utilities	64,128	0	64,128
Vehicle Expense	23,099	0	23,099
Net Asset Changes Due to Restrictions			
Restrictions Satisfied by Payment	30,400	(30,400)	0
<u>TOTAL EXPENSES</u>	<u>1,288,594</u>	<u>(30,400)</u>	<u>1,258,194</u>

<u>CHANGES IN NET ASSETS</u>	(151,067)	30,400	(120,667)
<u>NET ASSETS AS OF BEGINNING OF YEAR</u>	<u>1,349,740</u>	<u>246,075</u>	<u>1,595,815</u>
<u>NET ASSETS AS OF END OF YEAR</u>	<u>1,198,673</u>	<u>276,475</u>	<u>1,475,148</u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Operations	1,006,107
Cash Received from Interest and Other Income	20,350
Cash Received from Grants	181,646
Cash Received for Customer Deposits	2,135
Cash Disbursed for Operations	<u>(974,365)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	235,873
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets	<u>(696,695)</u>
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	(696,695)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from Loans	423,841
Payments on Mortgage Payable	<u>(125,016)</u>
<u>NET CASH USED BY FINANCING ACTIVITIES</u>	<u>298,825</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(161,997)
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>838,219</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u><u>676,222</u></u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Franklin Water Works, Inc. is a nonprofit organization domiciled in Crowville, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The corporation is governed by a five-member board of directors who are members of the corporation and are elected by members of the corporation. On May 5, 1970, the Franklin Parish Police Jury, in accordance with Louisiana Revised Statute 33:4361, granted the corporation a franchise to provide water to members residing within the territorial boundaries of the corporation, which are defined by the aforementioned franchise.

New Accounting Standard

During the year ended December 31, 2018, the Corporation adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources, as well as the functional allocation of expenses. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. These changes did not have a material effect on the financial statements.

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished. Until that time, these net assets are restricted.

The changes resulting from the implementation of this new standard are as follows:

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1, continued:

	<u>Amounts under the</u> <u>FASB No. 117 model</u>	<u>Reclassifications</u>	<u>'as adjusted'</u> <u>Amounts under</u> <u>ASU No. 2016-14</u>
Net assets:			
Unrestricted	1,349,740	(1,349,740)	-0-
Temporarily restricted	246,075	(246,075)	-0-
Permanently restricted	-0-	-0-	-0-
Without donor restrictions	-0-	1,349,740	1,349,740
With donor restrictions	-0-	246,075	246,075
Total net assets	1,595,815	-0-	1,595,815

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Bad Debts

Uncollectible accounts receivable are estimated at 5%. The allowance is adjusted annually against earnings

Fixed Assets

Fixed assets of the corporation are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of 10-25 years for the water production and distribution systems, 40 years for the building and 5-15 years for equipment.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, and time deposits. Under state law, the Company must 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.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1, continued:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 2 - CASH FLOW INFORMATION

Supplemental disclosures of cash flow information:

Cash Paid During the Year for:

Interest	99,584
Income Taxes	0

Supplemental Schedule of Noncash Investing and Financing Activities:

There were no noncash investing and financing activities for the year.

Disclosure of Accounting Policy:

For the purposes of the statement of cash flows, the company considers demand deposits, interest bearing demand deposits and time deposits to be cash and cash equivalents.

The Company does not have a policy for custodial credit risk.

NOTE 3 - CASH

Cash is classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered or securities which are held by the corporation or its agent in the corporation's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the bank or agent in the corporation's name. Category 3 includes uninsured and unregistered investments with the securities held by the bank or agent but not in the corporation's name. The carrying amount of the corporation's deposits with the financial institutions was \$690,657 and the book balance was \$675,922. The carrying balance is categorized as follows:

	Category		
	1	2	3
Cash	500,000	0	243,307

North Franklin Water Works, Inc. was adequately collateralized.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - FIXED ASSETS

Land and Land Rights	106,963
Production and Distribution System	7,082,624
Vehicles	243,409
Office Equipment	58,815
Transportable Equipment	189,938
Building and Improvements	<u>91,629</u>
	7,773,378
Accumulated Depreciation	<u>(3,856,204)</u>
	<u>3,917,174</u>

Depreciation expense for the year totaled \$275,743.

NOTE 5 - LONG-TERM DEBT

Mortgage payable to Farmer's Home Administration, due in monthly installments of \$6,306 which includes interest of 5.25%. The loan is secured by promissory notes and a pledge of revenues from the sale of water.

693,616

Mortgage payable to Louisiana DHH, due in annual installments based on a percentage of outstanding principle. The percentages are set forth in the agreement. Interest of 2.95% is due semi-annually. The loan is secured by a pledge of revenues from the sale of water.

2,361,000

3,054,616

Less: Current Portion

(149,000)

2,905,616

Interest expense for the year was \$103,979.

Maturities of long-term debt for each of the succeeding five years is as follows:

2019	149,000
2020	154,936
2021	160,976
2022	167,127
2023	173,854
Thereafter	<u>2,248,723</u>
	<u>3,054,616</u>

The maturities of long-term debt are calculated using the current loan amount on the mortgage payable to Louisiana DHH of \$2,361,000. The loan is approved for up to \$3,750,000.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 - LITIGATION AND CLAIMS

At December 31, 2018, the company was not involved in any litigation nor aware of any unasserted claims.

NOTE 7 - INCOME TAX STATUS

North Franklin Water Works, Inc. is recognized as a nonprofit organization under Sec. 501(c)(12) by the Internal Revenue Service. As such, it is exempt from federal income tax. The Company's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

NOTE 8 - RESERVED RETAINED EARNINGS

The loan agreement with Farmer's Home Administration for the long-term loans require the corporation to establish the following reserve accounts:

FmHA "Reserve Account" - The corporation must transfer \$660 each month until it has accumulated \$79,056. When necessary and with prior approval from Farmer's Home Administration, funds may be used for making payments on the note, paying the cost of repairing or replacing any damage to the facility caused by catastrophe or making extensions or improvements to the facility. Monthly deposits must be resumed until the required amount is again accumulated.

Amount in restricted cash at December 31, 2018 was \$79,056. Reserve requirements at December 31, 2018 were \$79,056. Thus, the corporation has put aside enough in restricted cash.

2013 Debt Service Fund - The establishment and maintenance of a separately identifiable fund or account designated as the "2013 Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Note, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest and Administrative Fee falling due on the Bonds on the next Interest Payment Date and a sum equal to 1/12th of the principal falling due on the Bonds on any principal payment date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest and Administrative Fee as the same become due. The Company shall transfer from said Debt Service Fund to the Department, on or before each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest and Administrative Fee falling due on such date with respect to the Note.

2013 Debt Service Reserve Fund - The establishment and maintenance of a separately identifiable fund or account designated as the "2013 Debt Service Reserve Fund" (the "Reserve Fund"), the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on Note payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the Reserve Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the Delivery Date to the sum of Nine Thousand Dollars (\$9,000).

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8, continued:

2013 Capital Additions and Contingencies Fund - The maintenance of a separately identifiable fund or account designated "2013 Capital Additions and Contingencies Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payments required by the Debt Service Fund and Debt Service Reserve Fund to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the gross Revenues of the System for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs "2013 Debt Service Fund" and "2013 Debt Service Reserve Fund" above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Thirty-Five Thousand Dollars (\$35,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Thirty-Five Thousand Dollars (\$35,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Note for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described above, but the money in said Contingencies Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Note if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Five Thousand Dollars (\$5,000).

Amount in restricted cash at December 31, 2018 was \$197,419. Reserve requirements at December 31, 2018 were \$197,419. Thus the corporation has put aside enough in restricted cash.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable consist of customer balances. The aging of accounts receivable at December 31 is as follows:

Current	50,501
30 Days and Over	<u>16,244</u>
TOTAL	<u>66,745</u>

NOTE 10 - RETIREMENT PLAN

North Franklin Water Works, Inc.'s employees are covered under a Simple IRA retirement plan. Under the plan, North Franklin Water Works, Inc. is required to match up to 3% of the employee's salary. This is a match of the salary deferral elected by the employee. The company's match for 2018 was \$8,034.

NOTE 11 - OTHER USDA INFORMATION

- A. The North Franklin Water Works, Inc. has a fidelity bond in place for \$50,000.
- B. The North Franklin Water Works, Inc. has 78 commercial users and 2,531 residential users.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 11, continued:

C. Water rates are as follows:

1. Residential rates are \$17.50 for 2,000 gallons and \$3.25 per 1,000 gallons after the first 2,000 gallons.
2. Commercial rates are \$42.00 for 20,000 gallons and \$3.25 per 1,000 gallons after the first 20,000 gallons.

D. The governing board with expiration of terms is as follows:

Devone Goodman	Term Expires 2019
Derrick Parker	Term Expires 2020
Henry Till	Term Expires 2020
Ken Free	Term Expires 2019
Miller Watson	Term Expires 2021

NOTE 12 - VACATION AND SICK LEAVE

ANNUAL LEAVE (VACATION)

Only those employees who are classified as a "regular" employee shall be eligible for vacation leave with pay. Annual leave is for the purposes of rest and recreation, or for personal business. Normally, vacation leave with pay will not be taken until after the first anniversary of employment date of the employee.

Each full-time employee shall be given vacation time at the rate of:

- One (1) week per year for less than three years of continuous employment.
- Two (2) weeks per year with three or more years of employment.

An employee must take a minimum of one week's vacation except under abnormal circumstances beyond his control. The minimum vacation an employee may take under any circumstances will be one day.

All vacations must be scheduled in advance with the system operator. All requests must be submitted in writing and approved by the board of directors.

SICK LEAVE

Sick leave is a paid leave of absence granted to regular full-time employees who cannot perform their job duties because they are ill, injured, or receiving medical or dental treatment. An employee may be excused from work without loss of pay due to: 1) Personal illness; 2) Dental appointments; or 3) Serious illness in the employee's immediate family. Immediate family includes spouse, children, parents, siblings, grandchildren, mother-in-law, and father-in-law.

Ten days sick leave is granted per year. This time is non-accrual. When an illness prevents you from working, you must notify the system operator prior to your official starting time in order to reassign work duties of the employee. A written request must be submitted on the first day of return to work. Absences due to personal illness or required medical attention may result in certification of illness from a physician.

NORTH FRANKLIN WATER WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 12, continued

Failure to report absences within the prescribed time period, failure to justify an absence, or failure to present the required medical certification may result in the absence being charged to annual leave, leave without pay or unauthorized leave, and may result in disciplinary action or termination.

Three days of urgent personal leave time is permitted yearly. Time is non-accrual. Notification to the system operator must be made prior to the absence of the employee. A written request must be made on the first day of the employee's return to work.

If special needs should occur, final decisions will be rendered by the board of directors of North Franklin Water Works, Inc.

NOTE 13 - RELATED PARTY TRANSACTIONS

There were no related party transactions that came to our attention.

NOTE 14 - SUBSEQUENT EVENTS

The Attorney has evaluated subsequent events through the date that the financial statements were available to be issued, April 9, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 15 - LIQUIDITY and AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Corporation's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>2018</u>
Cash and cash equivalents	399,747
Accounts receivable, net, collected in less than one year	63,408
Restricted cash and cash equivalents	276,475
Contractual or donor restricted financial assets not Available to meet cash needs for expenses Within one year:	
Future debt service	<u>(276,475)</u>
Financial Assets Available to Meet Cash Needs for Expenses within One Year	<u>463,155</u>

SCHEDULE II

NORTH FRANKLIN WATER WORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Name</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>Environmental Protection Agency</u> Passed through the State of Louisiana DHH Capitalization Grants for Drinking Water State Revolving Fund	66.468	<u>390,962</u>
		<u>390,962</u>

See Notes to Financial Statements.

NORTH FRANKLIN WATER WORKS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE DIRECTOR
DECEMBER 31, 2018

AGENCY HEAD: Marion Collier

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	67,579
Benefits - Insurance	7,974
Benefits - Retirement	1,979
Benefits - Other	0
Car Allowance	9,000
Vehicle Provided by Entity	0
Per Diem	0
Reimbursements	0
Travel	0
Registration Fees	0
Conference Travel	0
Continuing Professional Education Fees	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
	<u>0</u>
	<u>86,532</u>

See Notes to Financial Statements.

OTHER INDEPENDENT ACCOUNTANT'S REPORT

MARCUS, ROBINSON and HASSELL

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES FOR COMPLIANCE
WITH LAWS AND REGULATIONS**

To the Board of Commissioners
North Franklin Water Works, Inc.
Winnsboro, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of North Franklin Water Works, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about North Franklin Water Works, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2018, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with 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 the 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.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

We reviewed all cash disbursements and did not note any purchases for materials and supplies that exceeded \$30,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

North Franklin Water Works, Inc. provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

North Franklin Water Works, Inc. provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by the Franklin Parish Communications District in agreed-upon procedure (3) appeared on the list provided by North Franklin Water Works, Inc. in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

North Franklin Water Works, Inc. provided us with a copy of the adopted original budget and the adopted budget as amended.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget and amended budget to the minutes of a regular meeting, which indicated that the budget and amended budget had been adopted by the Board members of North Franklin Water Works, Inc..

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the amended budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed the budgeted amounts by more than 5%, in the special revenue fund.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that the payment was for the proper amount and made to the correct payee.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the proper authorities.

Meetings

9. Examine evidence indicating that agenda for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law)

North Franklin Water Works, Inc. is required to post a notice of each meeting and the accompanying agenda on the door of the District's building. Management has asserted that such documents were posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

A reading of the minutes of North Franklin Water Works, Inc. for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees, or the Board which would constitute bonuses, advances or gifts.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of North Franklin Water Works, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


MARCUS, ROBINSON, & HASSELL, CPAs
April 15, 2019

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana government agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected governmental officials should sign the document, in lieu of such a resolution.

The completed attestation questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement.** The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

5/6/19 (Date Transmitted)

MARCUS ROBINSON & HASSELL, CPA

P.O. Box 487

Winnaboo, LA 71295

(Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes No []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes No []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

N/A

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

<u>Marion Jolley</u>	Secretary	<u>4/15/19</u>	Date
<u>Amanda Fahn</u>	Treasurer	<u>4/15/19</u>	Date
<u>Leon Goodman</u>	President	<u>4/15/19</u>	Date