

**LAFAYETTE PARISH  
WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED  
GOVERNMENT OF LAFAYETTE, LOUISIANA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED AUGUST 31, 2019**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**

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## INDEPENDENT AUDITORS' REPORT

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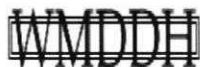
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To the Board of Commissioners  
Lafayette Parish Waterworks District South  
Lafayette, Louisiana

We have audited the accompanying financial statements of the business-type activities of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Lafayette Parish Waterworks District South'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lafayette Parish Waterworks District South, as of August 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 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 an opinion on the financial statements that collectively comprise Lafayette Parish Waterworks District South's basic financial statements. The List of Board of Commissioners and Schedule of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The List of Board of Commissioners and Schedule of Operating Expenses are the responsibility of management and were 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 List of Board of Commissioners and Schedule of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, L.L.C.*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

February 3, 2020  
Lafayette, Louisiana

## LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



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### LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH Lafayette Parish Management's Discussion and Analysis (Unaudited) FYE August 31, 2019

Our discussion and analysis of Lafayette Parish Waterworks District South's performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2019. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

#### ***FINANCIAL HIGHLIGHTS***

- The District's net position increased by \$277,211 from \$7,263,385 in 2018 to in \$7,540,596 in 2019, as a result, of this year's operations.
- The District's operating revenues exceeded operating expenses by \$191,723 for the year ended August 31, 2019.
- Cash and cash equivalents increased by \$76,558 for the year ended August 31, 2019.
- There were no major changes to property, plant and equipment during the current year. The District had two projects in construction in progress for the year ended August 31, 2019, the construction of the Waterworks District office and the Water System Improvements project for additional lines from South Fieldspan Road to Ridge Road to Golden Grain Road.

#### ***USING THIS ANNUAL REPORT***

This annual report consists of three parts – *management's discussion and analysis, the basic financial statements, and supplementary information.* The basic financial statements consist of the fund financial statements and the note to the financial statements. The fund financial statements focus on individual parts of the District, offering short and long-term financial information about the activities that the government operates *like businesses.*

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2019

***FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE***

The District's net position increased by \$277,211 between the fiscal years 2018 and 2019. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's business-type activities.

TABLE 1  
SUMMARY OF NET POSITION

	<u>2018</u>	<u>2019</u>	<u>Percentage Change</u>
Current and Other Assets	\$3,110,520	3,157,102	2%
Capital Assets	<u>8,303,810</u>	<u>8,144,230</u>	-2%
Total Assets	<u>11,414,330</u>	<u>11,301,332</u>	-1%
 Total Deferred Outflows of Resources	 <u>10,939</u>	 <u>7,219</u>	 -34%
Current and Other Liabilities	565,886	584,955	3%
Non-current Liabilities	<u>3,596,000</u>	<u>3,183,000</u>	-11%
Total Liabilities	<u>\$4,161,886</u>	<u>\$3,767,955</u>	-9%
 Net Position-			
Invested in Capital Assets, Net of Related Debt	\$5,407,114	\$5,565,172	3%
Restricted for Debt Service	823,625	903,847	10%
Unrestricted	<u>1,032,646</u>	<u>1,071,577</u>	4%
Total Net Position	<u>\$7,263,385</u>	<u>\$7,540,596</u>	4%

Net position for the District increased by 4 percent. Net position restricted as to the purposes it can be used for is invested in capital assets (buildings, water equipment, etc.) net of related debt and debt service. Unrestricted net position can be used to meet the District's ongoing obligations to customers and creditors.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2019

The following table provides a summary of the District's changes in net position:

TABLE 2  
SUMMARY OF CHANGES IN NET POSITION

Revenues:	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Operating -			
Charges for Services	\$2,124,504	\$2,100,056	-1%
Capital Grants and Contributions	169,519	- 0 -	-100%
Non-Operating -			
Membership Fees	4,900	3,900	-20%
Installation Fees	68,900	68,850	0%
Contributed Infrastructure	171,053	- 0 -	-100%
Miscellaneous Income	54,099	58,067	7%
Interest Income	24,252	71,073	193%
Gain on Disposition	<u>- 0 -</u>	<u>7,062</u>	<u>100%</u>
Total Revenues	<u>2,617,227</u>	<u>2,309,008</u>	-12%
Expenses:			
Operating	1,977,786	1,908,333	-4%
Non-Operating -			
Interest	89,945	119,744	33%
Amortization of Debt Expense	<u>3,609</u>	<u>3,720</u>	3%
Total Expenses	<u>2,071,340</u>	<u>2,031,797</u>	-2%
Change in Net Position	<u>\$545,887</u>	<u>\$277,211</u>	-49%

The District's total revenues decreased by 12% in 2019. Total expenses decreased due to a decrease in operating expenses.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

Capital Assets

At August 31, 2018 and 2019, the District had \$12,277,304 and \$12,334,650, respectively, invested in a broad range of capital assets, including buildings, water lines, furniture and fixtures, and construction in progress. Accumulated depreciation on these capital assets was \$3,973,494 and \$4,190,420 respectively, for these years. There was a decrease in capital assets net of accumulated depreciation of \$159,580 during 2019.

Long Term Debt

At August 31, 2018, the District had \$3,985,000 in bonds outstanding versus \$3,596,000 at August 31, 2019.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2019

TABLE 3  
OUTSTANDING DEBT AT YEAR-END

	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Water Revenue Refunding Bonds:			
Current	389,000	413,000	6%
Long-term	<u>\$3,596,000</u>	<u>\$3,183,000</u>	-11%
Total	\$3,985,000	\$3,596,000	-10%

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

The Lafayette Utilities System (LUS) adjusted wholesale rates in January 2018 from \$2.38 per thousand gallons to \$2.61 per thousand gallons. This rate is valid for 2018 and 2019. LPWDS adjusted rates in January 2018. LPWDS will evaluate rates in 2019 and decide if a rate increase will be needed in 2020.

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our 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 the Lafayette Parish Waterworks District South office.



LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2019

*SCHEDULE OF NUMBER OF UTILITY CUSTOMERS AND MONTHLY WATER RATES*

Records maintained by the Lafayette Parish Waterworks District South indicated the following numbers of customers were being serviced as of August 31, 2019.

Residential Customers	4,454
Commercial Customers	<u>18</u>
Total	4,472

The water rates of the Lafayette Parish Waterworks District South as of August 31, 2019 are as follows:

- ¾" Meter - \$18.00 for the first 2,000 gallons, \$4.40 per 1,000 gallons thereafter
- 1" Meter - \$29.00 per month plus \$4.40 per 1,000 gallons used
- 1½" Meter - \$45.00 per month plus \$4.40 per 1,000 gallons used
- 2" Meter - \$90.00 per month plus \$4.40 per 1,000 gallons used

## **BASIC FINANCIAL STATEMENTS**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET POSITION  
AUGUST 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 484,111
Accounts Receivable, Net	247,339
Inventory	<u>77,927</u>
Total Current Assets	<u>809,377</u>

**RESTRICTED ASSETS**

Cash - Restricted:	
Water Revenue Bond and Interest Sinking Fund	90,208
Water Revenue Reserve Fund	273,730
Water Depreciation and Contingency Fund	544,771
2013 Water System Improvements Account	<u>1,439,016</u>
Total Restricted Assets	<u>2,347,725</u>

**CAPITAL ASSETS**

Land and Construction in Progress	176,797
Other Capital Assets	12,157,853
Less: Accumulated Depreciation	<u>(4,190,420)</u>
Total Capital Assets	<u>8,144,230</u>

**TOTAL ASSETS** **\$ 11,301,332**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Refunding	<u>7,219</u>
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**TOTAL DEFERRED**  
**OUTFLOWS OF RESOURCES** **\$ 7,219**

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET POSITION  
AUGUST 31, 2019**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 109,280
Sales Tax Payable	776
Customers' Deposits	<u>52,825</u>
Total Current Liabilities	<u>162,881</u>

**CURRENT LIABILITIES (Payable from Restricted Assets)**

Accrued Interest	9,074
Current Portion of Revenue Bonds	<u>413,000</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>422,074</u>

**NON-CURRENT LIABILITIES**

Revenue Bonds Payable-Less Current Portion	<u>3,183,000</u>
Total Non-Current Liabilities	<u>3,183,000</u>

**TOTAL LIABILITIES**

\$ 3,767,955

**NET POSITION**

Net Investment in Capital Assets	\$ 5,565,172
Restricted for Debt Service	903,847
Unrestricted	<u>1,071,577</u>

**TOTAL NET POSITION**

\$ 7,540,596

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**OPERATING REVENUES**

Charges for Services -	
Water Sales	\$ 1,996,000
Connection Fees	37,970
Late Fees	<u>66,086</u>
Total Operating Revenues	<u>2,100,056</u>

**OPERATING EXPENSES**

Scheduled	1,595,921
Depreciation	<u>312,412</u>
Total Operating Expenses	<u>1,908,333</u>

Operating Income	<u>191,723</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Membership Fees	3,900
Installation Fees	68,850
Miscellaneous Income	58,067
Interest Income	71,073
Interest Expense	(119,744)
Amortization of Loss on Refunded Debt	(3,720)
Gain on Disposition of Assets	<u>7,062</u>
Total Non-Operating Revenues (Expenses)	<u>85,488</u>

<b>CHANGE IN NET POSITION</b>	277,211
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<b>NET POSITION, BEGINNING OF YEAR</b>	<u>7,263,385</u>
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<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,540,596</u>
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The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From Service Users	\$ 2,126,202
Cash Payments for Goods and Services	(1,354,781)
Cash Paid to Employees for Service	<u>(241,140)</u>

Net Cash Provided By Operating Activities 530,281

**CASH FLOWS FROM CAPITAL AND RELATED**

**FINANCING ACTIVITIES**

Proceeds from Membership Fees	3,900
Proceeds from Installation Fees	68,850
Proceeds from Sale of Property, Plant and Equipment	7,695
Other Proceeds	58,067
Bond Issuance Costs Paid	(844)
Acquisition and Construction of Property, Plant and Equipment	(152,620)
Principal Paid on Revenue Bonds	(389,000)
Interest Paid on Revenue Bonds	<u>(120,844)</u>

Net Cash (Used In) Capital and Related Financing Activities (524,796)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Interest Received	<u>71,073</u>
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Net Cash Provided By Investing Activities 71,073

NET INCREASE IN CASH 76,558

CASH AT BEGINNING OF YEAR (including restricted cash of \$2,315,965) 2,755,278

CASH AT END OF YEAR (including restricted cash of \$2,347,725) \$ 2,831,836

**RECONCILIATION OF OPERATING INCOME TO NET CASH**

**PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 191,723
Adjustments to Reconcile Operating Income to	
Net Cash Provided By Operating Activities:	
Depreciation	312,412
Changes in Assets and Liabilities:	
Accounts Receivable, Net	20,066
Other Receivables	15,136
Inventory	(7,740)
Prepaid Insurance	2,514
Accounts Payable	(2,303)
Sales Tax Payable	53
Customers' Deposits	<u>(1,580)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 530,281

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity** - The Lafayette Parish Waterworks District South (the District) is a component unit of the Consolidated Government of Lafayette, Louisiana (the Consolidated Government). The District constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette appoints the governing body of the District. The financial information contained in these statements is only that of the Lafayette Parish Waterworks District South and includes all funds over which the District exercises oversight responsibility. This responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and a franchise from the Parish of Lafayette on October 10, 1974. The District's purpose is to provide a water system for the southern district in Lafayette Parish.

The accounts of the District are in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting policies also conform to the guidelines set forth in the Louisiana Governmental Audit Guide.

**Basis of Presentation** - The Lafayette Parish Waterworks District South, reported in these statements as a proprietary fund, prepares its financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). FASB ASC Section 2100 – Defining the Financial Reporting Entity (GASB Statement No. 14) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The District is considered to be a component unit of the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the District.

**Basis of Accounting** - The District maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgetary Accounting** - Formal budgetary integration is not employed as a management control device for the Lafayette Parish Waterworks District South.

**Property and Equipment** - Property and equipment are recorded at cost and include direct costs and the costs of funds borrowed by the District and used for construction purposes.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	Years
Water Distribution System	40
Water Treatment Plant	5-40
Water Lines, Wells and Meters	5-40
Office Equipment	3-7
Other Equipment	5-10
Vehicles	7

**Labor Related Expenses** - The District reimburses the Consolidated Government of Lafayette, Louisiana for group health insurance premiums that the Consolidated Government pays on the District's behalf.

**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. The allowance for doubtful accounts at August 31, 2019 was \$660.

**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. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. As of August 31, 2019, the District held no investments.

**Unamortized Debt Expense** – Debt expense incurred at bond issuance is expensed in the current year.

**Unamortized Loss on Refunded Debt** – Losses incurred upon refunding of debt are treated as deferred outflows and amortized over the life of the new bonds issued.

**Water Revenue Bonds** – Bonds outstanding are stated at face value less unamortized discount and unamortized loss on reacquired debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

**Inventories** – Inventories are valued at cost.



**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net Position** – In the financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to acquisition, construction, or improvement of those assets.

*Restricted net position* - consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Statement of Cash Flows** - For purpose of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash and interest-bearing deposits are stated at cost, which approximates market.

**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 expenses during the reporting period. Actual results could differ from those estimates.

**Compensated Absences** – All full-time employees of the District earn annual leave in amounts from 0 to 20 days per year based on years of service. Annual leave shall be used or surrendered in the period in which it is earned. Upon termination, employees are paid for all accumulated annual leave.

Excused absences are earned by full-time employees of the District in the amounts of 0 to 5 days per year based on years of service. Excused absences include illness, funeral leave, court appearances or other preapproved appointments. Excused time is surrendered if not used during the year. Upon separation unused excused time will not be paid to the employee.

**Pension and Post-Employment Benefits** –The District does not offer any of these types of benefits to employees and therefore has no liability in relation to the implementation of the GASB statements on pensions and post-employment benefits.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**B. 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 laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At August 31, 2019, the District has cash and interest-bearing deposits (book balances) totaling \$2,831,837.

*Custodial Credit Risk Relating to Deposits*

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk, however, 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.

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. As of August 31, 2019, \$-0-, of the District's bank balances of \$2,906,199 were exposed to custodial credit risk as follows:

Bank Balances	\$ 2,906,199
At August 31, 2019 the deposits are secured as follows:	
Federal Deposit Insurance	\$ 250,000
Pledged Securities (Category 3)	<u>2,656,199</u>
Total	\$ 2,906,199

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the bank, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revenue 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.

**C. RESTRICTED ASSETS**

**Water Revenue Bond and Interest Sinking Fund** - Each month there shall be set aside into this fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

**Water Revenue Reserve Fund** - There shall also be set aside and maintained in this fund, an amount equal to the Reserve Fund Requirement of \$262,437. The money in the Reserve Fund consists exclusively of revenues of the System and investment earning. Such amount may be used only for the purpose of paying the principal of and interest on bonds payable from the Water Revenue Bond and Interest Sinking Fund as to which there would otherwise be default.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**C. RESTRICTED ASSETS - Continued**

**Water Depreciation and Contingency Fund** – Each month, funds will also be set aside into this fund at an amount equal to at least five percent (5%) of the amount required to be paid into the Sinking Fund. Money in this fund may be used for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

**2013 Water System Improvement Project Account**– Proceeds from the issuance of bonds to fund construction costs were deposited into this account. These funds will be used to pay the costs of construction projects.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus.

**D. PROPERTY, PLANT AND EQUIPMENT**

A summary of proprietary fund type property, plant and equipment at August 31, follows:

	Beginning Balance 8/31/2018	Increases	Decreases	Ending Balance 8/31/2019
Water Distribution System	\$10,038,233	\$ -	\$ -	\$10,038,233
Water Treatment Plant & Building	267,022	-	(19,421)	247,601
Water Lines, Wells and Meters	1,585,432	64,451	-	1,649,883
Office Equipment	72,117	-	(33,979)	38,138
Other Equipment	129,155	2,099	(12,445)	118,809
Automobiles	95,463	-	(30,274)	65,189
Less: Accumulated Depreciation	(3,973,494)	(312,412)	95,486	(4,190,420)
<b>Net Property, Plant and Equipment</b>	<b>\$ 8,173,357</b>	<b>\$(245,862)</b>	<b>\$ (633)</b>	<b>\$ 7,967,433</b>
Land	\$ 89,165	\$ -	\$ -	\$ 89,165
Construction Work in Progress	\$ 717	\$ 86,915	\$ -	\$ 87,632

Depreciation expense for the year ended August 31, 2019 was \$312,412.

The District has entered into contracts for construction and relocation of distribution lines in the District's service area. The projects are funded by the proceeds of revenue bonds, CWEF grants and LGAP grants.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**E. WATER REVENUE BONDS**

The following is a summary of the water revenue bonds transactions for the year ended August 31, 2019:

	Balance 8/31/2018	Additions	Reductions	Balance 8/31/2019	Due Within One Year
Serial Bond - 2011	\$ 1,085,000	\$ -	\$ 369,000	\$ 716,000	\$ 353,000
Serial Bond - 2013	1,400,000	-	20,000	1,380,000	40,000
Serial Bond - 2018	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>20,000</u>
Totals	<u>\$ 3,985,000</u>	<u>\$ -</u>	<u>\$ 389,000</u>	<u>\$ 3,596,000</u>	<u>\$ 413,000</u>

The District has three Water Revenue Bond issues outstanding at August 31, 2019:

Purpose	Issue Date	Balance At 8/31/2019
10 year Water Revenue Refunding Bonds Series 2011, 2.90% interest, payable in annual installments of principal and interest, held by Iberia Bank	12/21/2011	\$ 716,000
10 year Water Revenue Bonds, Series 2013, 3.2% interest, payable in annual installments of principal and interest, held by Iberia Bank	08/08/2013	1,380,000
10 year Water Revenue Bonds, Series 2018, 3.35% interest, payable in annual installments of principal and interest, held by Iberia Bank and Louisiana Public Facilities Authority	07/26/2018	<u>1,500,000</u>
Total Principal Outstanding on Water Revenue Bonds		3,596,000
Deferred Loss on Refunded Debt		<u>(7,219)</u>
Water Revenue Bonds Outstanding		<u>\$ 3,588,781</u>

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**E. WATER REVENUE BONDS - Continued**

Revenue bond debt service requirements to maturity are as follows:

Years Ended August 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 413,000	\$ 108,892	\$ 521,892
2021	428,000	96,873	524,873
2022	313,000	84,403	397,403
2023	323,000	75,111	398,111
2024	332,000	65,525	397,525
2025-2029	1,605,000	173,230	1,778,230
2030	<u>182,000</u>	<u>6,097</u>	<u>188,097</u>
Total	\$ 3,596,000	\$ 610,131	\$ 4,206,131

**F. RELATED PARTY TRANSACTIONS**

The District purchases water from the Consolidated Government of Lafayette, Louisiana for resale to customers in the ordinary course of business. The District purchased \$784,481 of water from the Consolidated Government during 2019. At August 31, 2019, the District owed the Consolidated Government of Lafayette, Louisiana \$55,664.

**G. RISK MANAGEMENT**

The District is exposed to risks of loss in the areas of directors, officers and employee liability, general liability, property hazard and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in insurance coverage during the year.

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on loss of refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District did not have any items that qualified as deferred inflows at August 31, 2019.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**I. COMPENSATION, BENEFITS AND OTHER PAYMENTS**

A detail of compensation, benefits, and other payments paid to Fred Arsement, President of the Board of Commissioners for the year ended August 31, 2019:

<u>Purpose</u>	<u>Amount</u>
Per Diem	\$ 480

**J. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 3, 2020, the date which these financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**LIST OF BOARD OF COMMISSIONERS  
AS OF AUGUST 31, 2019**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
Fred Arsement	October 2020	President	201 Golden Harvest Rayne, LA 70578 (337) 873-4703
Todd Guidry	October 2019	Vice-President	413 Lagneaux Road Duson, LA 70529 (337) 981-0755
Dave Young	October 2020	Secretary/ Treasurer	120 Brussels Road Rayne, LA 70578 (337) 277-3635
John Touchet	September 2021	Board Member	328 West Broussard Road Lafayette, LA 70506 (337) 501-8117
Terry Becht	October 2021	Board Member	106 Fernway Lane Duson, LA 70529 (337) 298-4365

Commissioners each receive \$40 compensation monthly.



**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Advertising	\$ 1,999
Bad Debts	1,561
Bank Charges	4,705
Billing Service	32,091
Board Fees	2,400
Consulting and Engineering	11,943
Dues and Subscriptions	8,908
Employee Training	1,356
Employee Uniforms	2,339
Gas	9,532
Insurance	96,280
Labor	36,070
Legal and Accounting	28,783
Meter Reading Service	66,226
Miscellaneous	2,091
Office	4,293
Postage	760
Repairs and Maintenance	56,771
Salaries	241,140
Supplies	3,476
Payroll Taxes	18,479
Telephone	13,608
Utilities	3,550
Water Purchased	882,930
Water Testing	64,630
	<hr/>
TOTAL OPERATING EXPENSES	\$ <u>1,595,921</u>

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

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STEPHANIE L. WEST, CPA, MBA

## 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*

To the Board of Commissioners  
Lafayette Parish Waterworks District South  
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, of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Lafayette Parish Waterworks District South's basic financial statements and have issued our report thereon dated February 3, 2020.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lafayette Parish Waterworks District South'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*. However, an instance of noncompliance with Louisiana Revised Statutes was noted and is described in the accompanying schedule of findings and questioned costs as item 2019-002.

### **Lafayette Parish Waterworks District South's Response to Findings**

Lafayette Parish Waterworks District South's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette Parish Waterworks District South's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, L.L.C.*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

February 3, 2020  
Lafayette, Louisiana

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

We have audited the financial statements of Lafayette Parish Waterworks District South, a Component Unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended August 31, 2019, and have issued our report thereon dated February 3, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of August 31, 2019 resulted in an unmodified opinion.

**Section I – Summary of Auditors’ Reports**

*A. Report on Internal Control and Compliance Material to the Financial Statements*

Internal Control

Material Weakness	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant Deficiency	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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*B. Management Letter*

Was a management letter issued?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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**Section II – Financial Statement Findings**

2019-001 Lack of Segregation of Duties

*Statement of Condition:*

The District does not have adequate segregation of functions within the accounting system.

*Criteria:*

Government Auditing Standards, issued by Comptroller General of the United States requires governmental units to have internal controls in place to minimize the risk of material misstatement.

*Effect of Condition:*

Lack of proper segregation of duties could cause material misstatements to occur and not be prevented or detected and corrected in a timely manner.

*Cause of Condition:*

Proper segregation of duties cannot be achieved due to the small number of staff at the District.

*Recommendation:*

The District should evaluate whether it is financially feasible to achieve complete segregation of duties in the accounting function, but at a minimum mitigating controls should put in place to segregate as many duties as possible among the limited staff.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**Section II – Financial Statement Findings - continued**

2019-002 Louisiana Public Bid Law

*Statement of Condition:*

The District purchased materials and supplies in excess of ten thousand dollars but less than thirty thousand dollars without obtaining at least three quotes.

*Criteria:*

RS 38:2212.1A(1)(b) states, "purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three quotes by telephone, facsimile, email or any other printable electronic form. If telephone quotes are received, a written confirmation of the accepted offers shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file."

*Effect of Condition:*

The District was not in compliance with certain provisions of RS 38:2212.

*Cause of Condition:*

The District failed to comply with the applicable provision of Louisiana Public Bid Law.

*Recommendation:*

The District should institute policies and procedures to ensure compliance with Louisiana Public Bid Law.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**Section III – Federal Award Findings and Questioned Costs**

This section is not applicable for the fiscal year ending August 31, 2019.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019**

2018-001 Inadequate Controls over Financial Statement Preparation

*Finding:*

The District does not have a staff person who has the qualifications and training nor have they engaged a third party to apply generally accepted accounting principles (GAAP) in preparing its financial statements, including related notes.

*Follow-up:*

This finding is resolved.

2018-002 Customer Utility Deposits

*Finding:*

The District cannot generate a listing of customer utility deposits held on behalf of customers that reconciles to the balance reported in the financial statements.

*Follow-up:*

This finding is resolved.

2018-003 Lack of Segregation of Duties

*Finding:*

The District does not have adequate segregation of functions within the accounting system.

*Follow-up:*

This finding is unresolved – see current year finding 2019-001.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019**

The Lafayette Parish Waterworks District South respectfully submits the following corrective action plan for the year ended August 31, 2019.

The findings from the August 31, 2019 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2019-001 Lack of Segregation of Duties

*Recommendation:*

The District should evaluate whether it is financially feasible to achieve complete segregation of duties in the accounting function, but at a minimum mitigating controls should put in place to segregate as many duties as possible among the limited staff.

*Action Taken:* The District has determined that it is not cost effective to achieve complete segregation of duties in the accounting function. They will continue to improve mitigating controls to segregate duties as feasible.

2019-002 Louisiana Public Bid Law

*Recommendation:*

The District should institute policies and procedures to ensure compliance with Louisiana Public Bid Law.

*Action Taken:* The District will institute policies and procedures to ensure compliance with Louisiana Public Bid Law in all instances.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Fred Arsement, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,



Fred Arsement  
President



**LAFAYETTE PARISH  
WATERWORKS DISTRICT SOUTH  
LAFAYETTE, LOUISIANA**

**Independent Accountants' Report  
On Applying Agreed-Upon Procedures**

**Year Ended August 31, 2019**

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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JAN H. COWEN, CPA \*  
LANCE E. CRAPPELL, CPA, CGMA \*  
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To the Board of Commissioners and Management  
Lafayette Parish Waterworks District South  
Duson, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Lafayette Parish Waterworks District South and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Lafayette Parish Waterworks District South's compliance with certain laws, regulations and best practices during the year ended August 31, 2019. Management of Lafayette Parish Waterworks District South is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed 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.

### 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. The functions noted above are not required by this entity.*

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 address the functions noted above.*

- c) **Disbursements**, including processing, reviewing, and approving  
*Written policies and procedures were obtained and address the functions noted above.*
- d) **Receipts**, including receiving, recording, and preparing deposits  
*Written policies and procedures were obtained and 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 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  
*Exception noted. Written policies and procedures were obtained and do not 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 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 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 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 address the functions noted above.*
- k) **Disaster Recovery/Business Continuity**, including (1) identification of the critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.  
*Written policies and procedures were obtained and address the functions noted above.*

**Board (or Finance Committee, if applicable)**

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- 2) Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly in accordance with the by-laws.*

- 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.

*Obtained and reviewed minutes of the managing board for the fiscal period noting that the presentation of financial statements to the board for review, discussion and analysis was started during the year.*

- 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.

*The District did not have a negative unrestricted fund balance.*

**Bank Reconciliations**

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- 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):

*Obtained listing of client bank accounts from management and management's representation that listing is complete and noted that account reconciliations were prepared within 2 months of statement closing date.*

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

*The bank reconciliations did not include evidence that a member of the board reviewed each bank reconciliation.*

- 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.

*No exceptions noted.*

## Collections

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

*Obtained listing of cash collection location and management's representation that listing is complete.*

- 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.

*Exception noted. Employees that are responsible for cash collections share the cash drawer/register.*

- 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.

*Exception noted. Employees that are responsible for cash collections also prepare bank deposits, make bank deposits and reconcile collection documentation to the deposit and general ledger.*

- 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.

*Exception noted. Employee that is responsible for collecting cash is also responsible for posting collection entries to the general ledger or subsidiary ledgers, and reconciling postings to each other and to the deposit.*

- 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.

*Exception noted. The employee that is responsible for reconciling cash collections also collects cash and reconciliations are not verified by another employee.*

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

*All employees having access to cash are bonded and covered by insurance.*

- 7) Randomly, select two deposit dates for each of the 5 bank accounts selected for procedure 3) under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*No exceptions noted.*

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

*No exceptions noted.*

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

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- 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).

*Listing of disbursements and management’s representation that the listing is complete was obtained.*

- 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 a purchase.

*No exceptions noted.*

- 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 noted. Employee who processes payments adds or modifies vendors to listing/file.*

- 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.

*Exception noted. The mailing of payments is not addressed in the Policy and Procedures document. Inquiry and observation noted that the payments are mailed by either a co-signatory of the checks or an employee who is also responsible for processing payments.*

- 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 under 9, as applicable.

*No exceptions noted.*

### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

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- 11) Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*This was not required to be tested in the fiscal year.*

- 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, or a Lawrason Act municipality); these instances should not be reported.]]

*This was not required to be tested in the fiscal year.*

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

*This was not required to be tested in the fiscal year.*

- 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. 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).

*This was not required to be tested in the fiscal year.*

### **Travel and Expense Reimbursement**

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- 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](http://www.gsa.gov)):

*This was not required to be tested in the fiscal year.*

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

*This was not required to be tested in the fiscal year.*

- 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 l) h).

*This was not required to be tested in the fiscal year.*

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

*This was not required to be tested in the fiscal year.*

### **Contracts**

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- 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.

*This was not required to be tested in the fiscal year.*

- 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).

*This was not required to be tested in the fiscal year.*

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

*This was not required to be tested in the fiscal year.*

- 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.

*This was not required to be tested in the fiscal year.*

### **Payroll and Personnel**

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- 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.

*Listing of employees and management's representation that the listing is complete was obtained.*



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.)

*No exceptions noted.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*No exceptions noted.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions noted.*

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' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*No exceptions noted.*

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.

*Management's representation that 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 was obtained.*

#### ***Ethics (excluding nonprofits)***

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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.

*This was not required to be tested in the fiscal year.*

- 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.

*This was not required to be tested in the fiscal year.*

#### ***Debt Service (excluding nonprofits)***

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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.

*This was not required to be tested in the fiscal year*

- 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.

*This was not required to be tested in the fiscal year.*

**Other**

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- 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.

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

- 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.

*This was not required to be tested in the fiscal year.*

We were not engaged to perform, and did not perform, an audit, 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 the Board of Commissioners and management of Lafayette Parish Waterworks District South 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.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, LLC  
Certified Public Accountants

February 14, 2020  
Lafayette, Louisiana

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**



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**Phone (337) 989-9600**  
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February 14, 2020

Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC  
P.O. Box 80569  
Lafayette, LA 70598

The following is Management's response to the 2018-2019 AUP report submitted.

**WRITTEN POLICIES AND PROCEDURES**

1. f) Management will work toward formalizing this policy.

**BANK RECONCILIATIONS**

3. b) A member of the Board of Commissioners reviews all bank statements monthly but was not aware of the review of the bank reconciliations requirement. Management will begin providing all bank reconciliations to the Board for review and formal approval.

**COLLECTIONS**

5. a) - d) Management will evaluate the cost/benefit of a complete segregation of duties and will also continue to implement mitigating controls where feasible.

**DISBURSEMENTS**

9. c) - d) Management will evaluate controls to determine if additional segregation can be achieved.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Fred Arsement, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Fred Arsement', written in a cursive style.

Fred Arsement  
President