

**NATCHITOCHEs PARISH  
WATERWORKS DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2018**

Natchitoches Parish Waterworks District No. 2  
Financial Report  
December 31, 2018

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**NATCHITOCHEES PARISH WATERWORKS DISTRICT NO. 2**  
**1665 Highway 119**  
**Natchez, Louisiana 71456**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Natchitoches Parish Waterworks District No. 2 (hereafter referred to as the District) annual financial report presents an overview and analysis of the District's financial activities for the year ended December 31, 2018. Certain comparative information with the previous year is presented to provide an overview of the District's operations.

Financial Highlights

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board's (GASB) accounting principles. The Statement of Net Position (pages 8-9) includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (page 10). This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its water service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (page 11). The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Natchitoches Parish Waterworks District No. 2

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

A summary of the District's basic financial statements is as follows:

Summary of Statement of Net Position

	<u>2018</u>	<u>2017</u>
ASSETS:		
Assets	\$2,117,786	\$1,897,082
Capital Assets, Net of Accumulated Depreciation	<u>5,981,610</u>	<u>6,428,035</u>
Total Assets	<u>\$8,099,396</u>	<u>\$8,325,117</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 570,697	\$ 268,520
Long-Term Debt	<u>5,594,820</u>	<u>6,243,543</u>
Total Liabilities	<u>\$6,165,517</u>	<u>\$6,512,063</u>
NET POSITION:		
Net Investment in Capital Assets Restricted for Debt Services	\$ 96,610	\$ 218,035
Unrestricted	<u>330,000</u>	<u>325,833</u>
Total Net Position	<u>1,507,269</u>	<u>1,269,186</u>
	<u>\$1,933,879</u>	<u>\$1,813,054</u>

Summary of Statement of Revenue and Expenses

	<u>2018</u>	<u>2017</u>
REVENUES:		
Operating Revenues	\$1,425,372	\$1,375,142
Investment Income	<u>11,775</u>	<u>17,417</u>
Total Revenues	<u>\$1,437,147</u>	<u>\$1,392,559</u>
EXPENSES:		
Operating Expenses	\$1,144,894	\$1,161,372
Interest	<u>171,428</u>	<u>179,028</u>
Total Expenses	<u>\$1,316,322</u>	<u>\$1,340,400</u>
Change in Net Position	<u>\$ 120,825</u>	<u>\$ 52,159</u>

### Sources of Revenue

Charges for water service totaled \$1,365,892 or 96% of total revenue of the District for the year ended December 31, 2018.

### Expenses

The majority of the District's total operating expenses is for payroll cost and depreciation. Salaries totaled \$307,128 which is 24% of total operating expenses. Depreciation totaled \$473,210 which is 36% of total operating expenses.

### Capital Assets

The District's capital assets consist of the distribution system and related equipment, along with the land.

### Long-Term Debt

The District issued bonds for the purpose of constructing and maintaining the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

### Economic Factors

The District's major revenue source is from water sales.

### Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at 1665 Hwy 119, Natchez, LA 71456.

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
*Certified Public Accountants*

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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**INDEPENDENT AUDITOR'S REPORT**

Mr. Donald Forest, President  
and Members of the Board  
Natchitoches Parish Waterworks District No. 2  
Natchez, Louisiana 71456

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and major fund information of the Natchitoches Parish Waterworks District No. 2 (District), a component unit of the Natchitoches Parish Government, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express 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 and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund information of the District as of December 31, 2018, and the respective changes in financial position and cash flows thereof 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 1-3 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 Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as other required supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report dated June 17, 2019, on the results of the statewide agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

*Thomas, Cunningham, Broadway + Todtenbier, CPA's*

Thomas, Cunningham, Broadway & Todtenbier CPA's  
Natchitoches, Louisiana

June 17, 2019

Natchitoches Parish Waterworks District No. 2  
Statement of Net Position  
Proprietary Fund  
December 31, 2018

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 65,381
Investments	681,086
Accounts Receivable	89,792
Prepaid Expenses	<u>2,365</u>

Total Current Assets \$ 838,624

Restricted Assets-

Cash & Cash Equivalents	\$ <u>1,278,117</u>
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Capital Assets-

Land & Improvements	\$ 18,721
Buildings & Improvements	397,645
Water Distribution System	10,398,458
Furniture, Machinery & Equipment	79,610
Automobiles	116,879
Accumulated Depreciation	<u>(5,029,703)</u>

Total Capital Assets \$ 5,981,610

Other Assets-

Deposits	\$ <u>1,045</u>
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Total Assets \$ 8,099,396

LIABILITIES & NET POSITION:

Current Liabilities-

Accounts Payable & Accruals	\$ <u>57,036</u>
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Liabilities Payable from Restricted Assets-

Customer Deposits	\$ 183,661
Current Portion of Long-Term Debt	<u>330,000</u>

Total Payable from Restricted Assets \$ 513,661

Continued next page.

Natchitoches Parish Waterworks District No. 2  
Statement of Net Position  
Proprietary Fund  
December 31, 2018

Non-Current Liabilities-	
Compensated Absences	\$ 39,820
Long-Term Debt, net of current portion	<u>5,555,000</u>
Total Non-Current Liabilities	\$ <u>5,594,820</u>
Total Liabilities	\$ <u>6,165,517</u>
Net Position-	
Net Investment in Capital Assets	\$ 96,610
Restricted for Debt Service	330,000
Unrestricted	<u>1,507,269</u>
Total Net Position	\$ <u>1,933,879</u>

See notes to financial statements.

Natchitoches Parish Waterworks District No. 2  
Statement of Revenues, Expenses and Changes in Net Position-  
Proprietary Fund  
For the Year Ended December 31, 2018

OPERATING REVENUES:	
Charges for Services	\$1,365,892
Connection Fees	29,425
Late Fees	28,005
Miscellaneous	<u>2,050</u>
Total Operating Revenues	<u>\$1,425,372</u>
OPERATING EXPENSES:	
Administrative Services	\$ 2,505
Depreciation	473,210
Employee Benefits	64,394
Fuel & Gas	18,532
Insurance & Bonds	43,432
Legal & Accounting	18,776
Materials & Supplies	25,838
Miscellaneous	6,105
Office Supplies & Other	26,798
Salaries	307,128
Payroll Taxes	22,687
Repairs & Maintenance	68,520
Telephone	11,106
Utilities	<u>55,863</u>
Total Operating Expenses	<u>\$1,144,894</u>
Operating Income	<u>\$ 280,478</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 17,153
Loss on Investments	(5,378)
Interest Expense	<u>(171,428)</u>
Total Non-operating Revenues (Expenses)	<u>\$ (159,653)</u>
Change in Net Position	\$ 120,825
Net Position-Beginning of Year	<u>1,813,054</u>
Net Position-End of Year	<u>\$1,933,879</u>

See notes to financial statements.

Natchitoches Parish Waterworks District No. 2  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,429,029
Cash Refunds from Customer Deposits	7,863
Cash Payments to Suppliers and Employees	<u>(701,478)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>735,414</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Capital Debt	\$ (325,000)
Interest Paid on Capital Debt	(171,428)
Acquisition and Construction of Capital Assets	<u>(26,784)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(523,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Gain (Loss) on Investments	\$ (12,532)
Interest Income	<u>17,153</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>4,621</u>
Net Increase in Cash and Cash Equivalents	\$ 216,823
Cash and Cash Equivalents-Beginning of Year	<u>1,126,675</u>
Cash and Cash Equivalents-End of Year	<u>\$1,343,498</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ <u>280,478</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	\$ 473,210
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	3,657
(Increase) Decrease in Prepaid Insurance	(386)
Increase (Decrease) in Accounts Payable	(35,685)
Increase (Decrease) in Customer Deposits	7,863
Increase (Decrease) in Other Liabilities	<u>6,277</u>
Total Adjustments	\$ <u>454,936</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>735,414</u>
Reconciliation of Cash & Cash Equivalents at 12/31/18:	
Cash	\$ 65,381
Restricted Cash	<u>1,278,117</u>
Total Cash and Cash Equivalents	<u>\$1,343,498</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

## INTRODUCTION

The Natchitoches Parish Waterworks District No. 2 was created by an ordinance of the Natchitoches Parish Government (formerly, Natchitoches Parish Police Jury) on April 10, 1963. The District is a political subdivision of the Natchitoches Parish Government, whose president and council members are elected officials. Of the District's eight Commissioners, six are appointed by the Natchitoches Parish Government and two are appointed by the Village of Natchez.

The District accounts for the operations and provisions of water services to the residents and businesses within the boundaries of the District as described in Louisiana Revised Statute Section 33:3381 et seq. The number of customers at December 31, 2018 totaled 2,644.

### 1. Summary of Significant Accounting Policies:

#### A. Basis of Presentation-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### B. Reporting Entity-

As the governing authority of the parish, for reporting purposes, the Natchitoches Parish Government is the financial reporting entity for Natchitoches Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Natchitoches Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Natchitoches Parish Government to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Natchitoches Parish Government.
2. Organizations for which the Natchitoches Parish Government does not appoint a voting majority but are fiscally dependent on the Natchitoches Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

Because the Natchitoches Parish Government appoints 75% of the organization's governing body, and the ability of the Natchitoches Parish Government to impose its will on the District, the District was determined to be a component unit of the Natchitoches Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Natchitoches Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting-

The District uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Natchitoches Parish Waterworks District No. 2, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

E. Cash and Cash Equivalents-

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

F. Investments-

Investments are limited by R. S. 33:2955 and Natchitoches Parish Waterworks District No. 2's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments.

G. Compensated Absences-

Full-time employees of the District earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next, however, sick leave may be accumulated up to a maximum of 120 days at a rate of 1 day per month. Upon termination, accumulated sick leave is paid to the employee. Compensated Absences at December 31, 2018 was \$39,820.

H. Capital Assets-

The capital assets of the Natchitoches Parish Waterworks District No. 2 enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for vehicles, and 5 to 10 years for machinery and equipment.

I. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

J. Net Position-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

- c. Unrestricted net position - All other net resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expenses.

K. Receivables-

All receivables are reported at their gross value, and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

3. Cash, Cash Equivalents, Investments and Credit Risk:

The cash and cash equivalents of the District are subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. 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 or exceed the amount on deposit with the fiscal agent. 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District’s name.

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. The District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

At December 31, 2018, the District had cash, cash equivalents and investments (collected bank balances) totaling \$1,340,950. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at December 31, 2018, were secured as follows:

Cash and Cash Equivalents	\$1,340,950
FDIC	(438,572)
Pledged Securities	<u>(902,378)</u>
Unsecured	<u>\$ 0</u>

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

4. Revenue/Accounts Receivable:

At year-end, the District had \$89,792 in customer receivables.

5. Accounts Payable & Accruals:

At year end, the District had \$57,036 in accounts payable and accruals which consists of \$19,579 vendor payments, \$27,488 interest payable, and \$9,969 payroll and sales taxes.

6. Restricted Assets:

At December 31, 2018, Natchitoches Parish Waterworks District No. 2 had the following restricted assets:

Cash and Cash Equivalents      \$1,278,117

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2018, is as follows:

<u>Governmental Activities</u>	<u>Balance 01-01-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-18</u>
Capital Assets Not Depreciated:				
Land	\$ 18,721	\$ 0	\$0	\$ 18,721
Total Capital Assets Not Depreciated	<u>\$ 18,721</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 18,721</u>
Capital Assets Depreciated:				
Distribution System	\$10,373,421	\$ 25,037	\$0	\$10,398,458
Building & Building Improvements	397,645	0	0	397,645
Vehicles	116,879	0	0	116,879
Furniture, Machinery & Equipment	<u>77,863</u>	<u>1,747</u>	<u>0</u>	<u>79,610</u>
Total Capital Assets, Depreciated	<u>\$10,965,808</u>	<u>\$ 26,784</u>	<u>\$0</u>	<u>\$10,992,592</u>
Total Capital Assets	<u>\$10,984,529</u>	<u>\$ 26,784</u>	<u>\$0</u>	<u>\$11,011,313</u>
Less Accumulated Depreciation:				
Plant & Distribution System	\$ 4,273,643	\$ 447,956	\$0	\$ 4,721,599
Building & Building Improvements	121,960	10,837	0	132,797
Vehicles	84,089	13,950	0	98,039
Furniture, Machinery & Equipment	<u>76,801</u>	<u>467</u>	<u>0</u>	<u>77,268</u>
Total Accumulated Depreciation	<u>\$ 4,556,493</u>	<u>\$ 473,210</u>	<u>\$0</u>	<u>\$ 5,029,703</u>
Net Capital Assets	<u>\$ 6,428,036</u>	<u>\$(446,426)</u>	<u>\$0</u>	<u>\$ 5,981,610</u>

Depreciation expense of \$473,210 was recorded for the year ended December 31, 2018.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

8. Long-Term Debt:

The following is a summary of the long-term debt obligations of the Natchitoches Parish Waterworks District No. 2 for the year ended December 31, 2018.

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2018</u>
Revenue Bond Series 2016 A	\$3,000,000	\$0	\$ 0	\$3,000,000
Revenue Bond Series 2016 B	<u>3,210,000</u>	<u>0</u>	<u>325,000</u>	<u>2,885,000</u>
Total	<u>\$6,210,000</u>	<u>\$0</u>	<u>\$325,000</u>	<u>\$5,885,000</u>

  

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>
Revenue Bonds Series 2016 A	3.125%	2036	\$3,000,000
Revenue Bonds Series 2016 B	2.40%	2026	<u>3,575,000</u>
Total			<u>\$6,575,000</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Long-Term Debt</u> <u>Principal</u>	<u>Long-Term Debt</u> <u>Interest</u>	<u>Total</u>
2019	\$ 330,000	\$ 164,928	\$ 494,928
2020	340,000	157,008	497,008
2021	350,000	148,848	498,848
2022	355,000	140,448	495,448
2023	365,000	131,928	496,928
2024-2028	1,960,000	521,758	2,481,758
2029-2033	1,300,000	278,925	1,578,925
2034-2035	<u>885,000</u>	<u>60,383</u>	<u>945,383</u>
Total	<u>\$5,885,000</u>	<u>\$1,604,226</u>	<u>\$7,489,226</u>

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and sufficient funds are to be set aside into the following special funds:

As pertains to Revenue Bond Series 2016 A & B:

- a. From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b. Each month, there will be set aside into a fund called the "Debt Service Fund" an amount constituting 1/12 of the total principal payment and 1/6 of the semi-annual interest payment maturing in the ensuing year. Such amounts 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.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

- c. A fund called the “2016 Reserve Fund” was established and fully funded at the time of issuance. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Debt Service Fund as to which there would otherwise be default. If Reserve Fund monies are utilized, the District must replenish the fund to its requirement within 12 months. At December 31, 2018, the Reserve Fund was fully funded.

9. Post-Employment Benefits:

The District does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

10. Schedule of Compensation of Board Members

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount Paid</u>
Henderson Howard	12	\$ 720
Ted Duggan	8	480
John T Batten, Jr	5	300
Donald Forest	11	660
Clyde Masson	12	720
Emile Metoyer	9	540
Ludlow McNeely	12	720
James Anthony	11	<u>660</u>
Total		<u>\$4,800</u>

11. Leases

The Natchitoches Parish Waterworks District No. 2 was not obligated under any non-cancellable capital or operating lease commitments at December 31, 2018.

12. Pending Litigation/Contingencies

The District is currently named, along with most water districts in the state of Louisiana, as a defendant in a civil suit. The District’s attorney is of the opinion that the plaintiff will be unable to establish a cause of action against the District, thereby granting the District a full dismissal. In the event a dismissal is not granted, any judgements rendered in favor of the plaintiff or payment resulting from compromise settlements, if any, will be within the limits of the insurance coverage carried by the District.

13. Pension Plan:

All employees of the Natchitoches Parish Waterworks District No. 2 are covered under the Social Security System.

14. Subsequent Events:

Management has evaluated events through June 17, 2019, the date which the financial statements were available for issue.

Natchitoches Parish Waterworks District No. 2  
Notes to Financial Statements  
December 31, 2018

15. Board of Directors

The Board of Directors of Natchitoches Parish Waterworks District No. 2 at December 31, 2018, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Ludlow McNeely P. O. Box 2007, Natchitoches, LA 71457 318-652-2626	President	8/31/2021
Emile Metoyer 2353 Bermuda Road, Bermuda, LA 71456 318-379-2407	Vice President	10/20/2021
Donald Forest 252 Highway 119, Natchez, LA 71456 318-352-7412	Member	3/31/2019
Henderson Howard, Jr. P. O. Box 236, Natchez, LA 71456 318-357-3158	Member	3/31/2019
Clyde Masson 1527 Highway 491, Cloutierville, LA 71416 318-379-0126	Member	2/21/2019
James W. Anthony 911 Highway 1220, Natchez, LA 71456 318-352-5854	Secretary/Treasurer	12/19/2021
Ted Duggan 4463 Highway 494, Bermuda, LA 71456 318-352-8636	Member	5/14/2019

REQUIRED SUPPLEMENTAL INFORMATION

Natchitoches Parish Waterworks District No. 2  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2018

Agency Head Name: Leslie Dunn, Jr., Manager

<u>Purpose</u>	<u>Amount</u>
Salary	\$56,960
Benefits-Insurance	15,093
Benefits-Retirement	0
Deferred Compensation	0
Benefits-Other	4,357
Car allowance	0
Vehicle provided by government	0
Cell phone	773
Dues	0
Vehicle rental	0
Per Diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$77,183</u>

See independent auditor's report.

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
*Certified Public Accountants*

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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

Mr. Ludlow McNeely, President  
and Members of the Board  
Natchitoches Parish Waterworks District No. 2  
Natchez, Louisiana 71456

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, and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Natchitoches Parish Waterworks District No. 2's (District) basic financial statements and have issued our report thereon dated June 17, 2019.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 17, 2019 on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

*Thomas, Cunningham, Broadway & Todtenbier, CPA's*

Thomas, Cunningham, Broadway & Todtenbier CPA's  
Natchitoches, Louisiana

June 17, 2019

Natchitoches Parish Waterworks District No. 2  
Schedule of Audit Findings  
Year Ended December 31, 2018

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Natchitoches Parish Waterworks District No. 2.
2. The audit did not disclose any material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

None identified.

III. Prior Year Findings

None identified.

**T | C | B | T**  
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
STATEWIDE AGREED-UPON PROCEDURES

President and Members of the Board  
Natchitoches Parish Waterworks District No. 2  
Natchez, Louisiana 71456

We have performed the procedures enumerated below, which were specified and agreed to by the Natchitoches Parish Waterworks District No. 2 (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended December 31, 2018. We are required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for those purposes.

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

Our procedures and associated findings are enumerated below.

***Written Policies and Procedures***

---

1. We obtained and inspected the entity's written policies and procedures and observed whether those written policies and procedures address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
  - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - ***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.
  - ***Disbursements***, including processing, reviewing, and approving.
  - ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation.)

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **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.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

a) *Procedure Results - We noted five exceptions. The Disbursements policy does not address processing; the Receipts policy does not fully address the appropriate functions; the Contracting policy does not address types of services requiring written contracts or the use of standard terms and conditions; the District does not have a written Travel policy; the Ethics policy does not have a requirement for annual attest through signature verification that the policy has been read.*

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

---

2. We obtained and inspected the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents in effect during the fiscal period, and:
  - Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - Observed 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. *Alternatively, 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.*
  - For governmental entities, obtained the prior year audit report and observed 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, observed 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.

a) *Procedure Results - We noted no exceptions.*

### ***Bank Reconciliations***

---

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We identified the entity's main operating account. We selected the entity's main operating account and randomly selected four additional accounts (or all if less than five). We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:
  - Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g. initialed and dated, electronically logged);
  - 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
  - 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.

*a) Procedure Results - We noted three exceptions: 1) bank reconciliations do not exist for low activity accounts; 2) no evidence that management has reviewed the reconciliations; and 3) no documentation showing unreconciled items in excess of 12 months have been researched.*

### ***Collections***

---

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. We randomly selected the required amount of deposit sites (up to five).
5. We obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site selected. We obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties were properly segregated at each collection location such that:
  - Employees that are responsible for cash collections do not share cash drawers/registers.
  - 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.
  - Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - The 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.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under “Bank Reconciliations” above. We obtained supporting documentation for each of the deposits selected and:

- We observed that receipts are sequentially pre-numbered.
- We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- We traced the deposit slip total to the actual deposit per the bank statement.
- We observed 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).
- We traced the actual deposit per the bank statement to the general ledger.

a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

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

---

8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).

9. For each location selected under #8 above, we obtained 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 we observed that job duties are properly segregated such that:

- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- At least two employees are involved in processing and approving payments to vendors.
- 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.
- 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.

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

- We observed that the disbursement matched the related original invoice/billing statement.
- We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

a) *Procedure Results - We noted no exceptions.*

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

---

11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), and obtained supporting documentation, and:
  - We observed 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.
  - We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.
  - a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

***Travel and Expense Reimbursement***

---

14. We obtained 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. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
  - If reimbursed using a per diem, we agreed the reimbursement rate to those rates established by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - We observed that each reimbursement was supported by documentation of the business/public purpose and other documentation required by written policy.
  - We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
  - a) *Procedure Results - We noted no exceptions.*

### *Contracts*

---

15. We obtained 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. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, and:
- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment.
  - We randomly selected one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.
- a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

### *Payroll and Personnel*

---

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, we obtained attendance and leave documentation for the pay period, and:
- We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  - We observed that supervisors approved the attendance and leave of the selected employees/officials.
  - We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected the two employees/officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations. If applicable, we agreed the hours to the employees/officials' cumulative leave records and the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained 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.
- a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

*Ethics*

---

20. Using the five randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, we obtained ethics compliance documentation from management, and:
- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - We observed 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.
- a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

*Debt Service (excluding nonprofits)*

---

21. We obtained a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.
- a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

*Other*

---

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- a) *Procedure Results - We noted no exceptions. Management represented they are not aware of any misappropriations.*
24. We observed whether 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.
- a) *Procedure Results - We noted no exceptions.*

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

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

*Thomas, Cunningham, Broadway & Todtenbier, CPA's*

Thomas, Cunningham, Broadway & Todtenbier CPA's  
Natchitoches, Louisiana

June 17, 2019

Natchitoches Parish Waterworks District No. 2  
Management's Response to Exceptions to  
Statewide Agreed-Upon Procedures  
For the Year Ended December 31, 2018

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: Exception: The Disbursements policy does not address processing; the Receipts policy does not fully address the appropriate functions; the Contracting policy does not address types of services requiring written contracts or the use of standard terms and conditions; the District does not have a written Travel policy; the Ethics policy does not have a requirement for annual attest through signature verification that the policy has been read.

Response: Management will prepare written procedures in accordance with best practices.

Item 3: Exceptions: 1) bank reconciliations do not exist for low activity accounts; 2) no evidence that management has reviewed the reconciliations; and 3) no documentation showing unreconciled items in excess of 12 months have been researched.

Response: Management will ensure that bank reconciliations are completed for all accounts, include evidence of management review, and document research of unreconciled items.