

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2018

LAKE BRUIN WATERWORKS DISTRICT NO. 1
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Annual Financial Statements

As of and for the Year Ended December 31, 2018

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LAKE BRUIN WATERWORKS DISTRICT No. 1
St. Joseph, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2018

C O N T E N T S (Contd.)

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Lake Bruin Waterworks District No. 1, a component unit of Tensas Parish, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Independent Auditor's Report
December 31, 2018

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Bruin Waterworks District No. 1, as of December 31, 2018, 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 6 through 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake Bruin Waterworks District No. 1's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

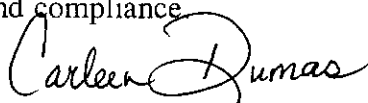
BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
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The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and the Schedule of Expenditures of Federal Awards are the responsibility of management 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 my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Insurance Policies in Force has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13, 2019, on my consideration of Lake Bruin Waterworks District No. 1's internal control over financial reporting and on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake Bruin Waterworks District No. 1's 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.



Calhoun, Louisiana
June 13, 2019

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Our discussion and analysis of Lake Bruin Waterworks District No. 1's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements that begin on page 10.

BASIC FINANCIAL STATEMENTS

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

- a. Management's discussion and analysis (MD&A)
- b. Statement of net position
- c. Statement of revenues, expenses, and changes in net position
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The Lake Bruin Waterworks District No. 1 is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and the changes in net position. Net position - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position is an indicator of whether the District's financial position is improving or deteriorating.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
 St. Joseph, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2018

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The District's total net position increased by \$247,672 during 2018. Operating revenues increased \$9,939 and operating expenses decreased \$2,997. The District reported \$190,187 in loan principal forgiveness in connection with its loan from the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) to fund improvements to the water system. The following presents an analysis of net position and changes in net position of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$120,467	\$104,437
Restricted assets	252,131	343,738
Capital assets	<u>1,188,176</u>	<u>237,486</u>
Total assets	<u>1,560,774</u>	<u>685,661</u>
Liabilities		
Current liabilities	64,155	154,867
Long-term liabilities	<u>811,022</u>	<u>111,774</u>
Total liabilities	<u>875,177</u>	<u>266,641</u>
Net Position		
Net investment in capital assets	341,654	125,712
Restricted for construction	25,313	26,094
Restricted for debt service	225,154	203,529
Unrestricted	<u>93,496</u>	<u>63,685</u>
Total net position	<u>685,617</u>	<u>419,020</u>
Operating revenues	215,334	205,395
Operating expenses	159,160	162,157
Non-operating revenue (expenses)	1,311	(121)
Loan principal forgiveness	<u>190,187</u>	<u>27,944</u>
Change in net position	247,672	71,061
Net position - beginning, restated	<u>437,945</u>	<u>347,959</u>
Net position - ending	<u>\$685,617</u>	<u>\$419,020</u>

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

OVERALL FINANCIAL POSITION

The District's change in net position was a \$247,672 increase. Unrestricted net position (those assets available to finance the daily operations of the district) were \$93,496 at year end. Net position restricted for construction was \$25,313 and restricted for debt service was \$225,154. The net investment in capital assets was \$341,654 at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$1,188,176. Capital assets include the water system and improvements, land, and construction in progress costing \$250 or more. During 2018, the District incurred \$955,328 in connection with its water system improvement project. These costs are reported as construction in progress in the accompanying financial statements. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During 2017, the District entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) to fund improvements to the water system. The District received \$950,935 in loan proceeds during 2018. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The District anticipates that operating revenues and expenses are expected to remain fairly constant for 2019. During 2019, the District expects to receive and expend approximately \$109,347 in loan proceeds from the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) to fund improvements to the water system.

BASIC FINANCIAL STATEMENTS

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF NET POSITION
December 31, 2018

ASSETS

Current assets:

Cash	\$82,588
Investments	22,440
Accounts receivable	15,439
Total current assets	<u>120,467</u>

Noncurrent assets:

Restricted cash	252,131
Property, plant and equipment (net of accumulated depreciation)	1,188,176
Total noncurrent assets	<u>1,440,307</u>
Total assets	<u>1,560,774</u>

LIABILITIES

Current liabilities:

Accounts payable	11,266
Current portion of loan payable	35,520
Customer deposits	15,705
Total current liabilities	<u>62,491</u>

Liabilities payable from restricted assets - accounts payable

1,664

Noncurrent liabilities:

Long-term debt - loan payable	811,002
Total liabilities	<u>875,157</u>

NET POSITION

Net investment in capital assets	341,654
Restricted for construction	25,313
Restricted for debt service	225,154
Unrestricted	93,496
Total net position	<u><u>\$685,617</u></u>

See accompanying notes.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2018

OPERATING REVENUES	
Water sales	\$214,679
Reconnect fees	300
Transfer fees	355
Total operating revenues	<u>215,334</u>
OPERATING EXPENSES	
Management fee	33,568
Supplies	2,157
Bank fees	496
Utilities	1,099
Insurance	5,274
Accounting expense	1,500
Legal expense	210
Postage and delivery	1,857
Office supplies	323
Dues and subscriptions	608
Repairs and maintenance	21,414
Depreciation	6,489
Water purchases	78,478
Safe drinking water fee	4,722
Sales tax	832
Other operating expenses	133
Total operating expenses	<u>159,160</u>
OPERATING INCOME	56,174
NON-OPERATING REVENUES - interest income	1,311
LOAN PRINCIPAL FORGIVENESS	<u>190,187</u>
CHANGE IN NET POSITION	247,672
NET POSITION - BEGINNING, Restated	<u>437,945</u>
NET POSITION - ENDING	<u>\$685,617</u>

See accompanying notes.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$213,505
Customer meter deposits (net)	785
Payments to suppliers	<u>(154,169)</u>
Net cash provided by operating activities	<u>60,121</u>

CASH FLOWS FROM CAPITAL AND RELATED

Principal paid on capital debt	(26,000)
Interest paid on capital debt	(4,188)
Loan proceeds	950,935
Construction of capital assets	(1,063,591)
Decrease in restricted cash	<u>92,651</u>
Net cash used by capital and related financing activities	<u>(50,193)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,311
Increase in restricted cash	(1,045)
Increase in investments	<u>(266)</u>
Net cash provided by investing activities	<u>NONE</u>

NET INCREASE IN CASH**CASH AT BEGINNING OF YEAR****CASH AT END OF YEAR**

	9,928
	<u>72,660</u>
	<u><u>\$82,588</u></u>

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities**

Operating Income	<u>\$56,174</u>
Adjustments:	
Depreciation	6,489
Increase in accounts receivable	(1,829)
Decrease in accounts payable	(1,498)
Increase in customer meter deposits	<u>785</u>
Total adjustments	<u>3,947</u>
Net cash provided by operating activities	<u><u>\$60,121</u></u>

See accompanying notes.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

INTRODUCTION

Lake Bruin Waterworks District No. 1 was created by the Tensas Parish Police Jury as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The District is governed by a five member board appointed by the police jury who serve without benefit of compensation. The District has no employees.

GASB Statement No. 14, *The Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, the Lake Bruin Waterworks District No. 1 is considered a component unit of the Tensas Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

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

1. Management's discussion and analysis (MD&A)
2. Statement of net position
3. Statement of revenues, expenses, and changes in net position
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Lake Bruin Waterworks District No. 1 is a special-purpose government engaged only in business-type activities.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of Lake Bruin Waterworks District No. 1 are water sales and other miscellaneous fees and charges. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing and non-interest bearing demand deposits. State law limits the District's credit risk by restricting the District's investments to collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2018, the District's investments consist of a nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost. The District's interest rate risk is limited by the investment of funds for periods not to exceed one year.

D. Receivables

Receivables for water sales are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts. The District is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Past due amounts are written off when they are considered uncollectible by management.

E. Restricted Assets

Certain resources required to be set aside by the loan agreement for debt service

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

and construction are classified as restricted assets on the balance sheet because their use is limited. It is the District's policy to use unrestricted assets first when both unrestricted and restricted assets are available for a specific purpose.

F. Capital Assets

Capital assets, which include land, water system and improvements, and construction in progress are reported in the enterprise fund financial statements. All of the District's capital assets are capitalized at historical cost. The Lake Bruin Waterworks District No. 1 maintains a threshold level of \$250 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - Water system and improvements	25 years

G. Long-term Obligations

Long-term debt such as loans payable are reported as liabilities in the statement of net position.

H. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2018:

Total interest cost expensed	NONE
Total interest cost capitalized	<u>\$4,188</u>
Total interest costs incurred	<u><u>\$4,188</u></u>

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates

LAKE BRUIN WATERWORKS DISTRICT NO. 1
 Notes to the Financial Statements

and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2018, the District has cash and investments (book balances) as follows:

Cash on hand - undeposited funds	\$6,024
Non-interest bearing checking accounts	103,541
Interest bearing savings accounts	225,154
Investments - certificates of deposit	<u>22,440</u>
Total	<u>\$357,159</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2018, the Lake Bruin Waterworks District No. 1 has \$360,001 in deposits (collected bank balances). These deposits are fully secured from risk by federal deposit insurance.

3. ACCOUNTS RECEIVABLE

At December 31, 2018, the District has net receivables of \$15,439 as follows:

Water sales	\$15,439
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$15,439</u>

For the year ended December 31, 2018, the total amount billed for water services was \$220,283 with an average monthly billing per customer of \$37.87. The District had 416 active customers at December 31, 2018. Residential and commercial customers are billed \$29 for the first 2,000 gallons of water used plus \$6.50 per thousand gallons for all gallons thereafter. New customers are charged a \$500 meter installation fee which includes the required meter deposit. Homeowners must pay a \$35 refundable meter deposit and renters must pay a \$60 refundable meter deposit. Customers are also charged a \$35 transfer fee and a \$100 reconnect fee when service is disconnected for nonpayment.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

4. CAPITAL ASSETS

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

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Capital assets not being depreciated:				
Land	\$5,500	NONE	NONE	\$5,500
Construction in progress	143,863	\$955,328		1,099,191
Total capital assets not being depreciated	149,363	955,328	NONE	1,104,691
Capital assets being depreciated:				
Water system and improvements	714,262	NONE	(\$552,038)	162,224
Less accumulated depreciation for:				
Water system and improvements	624,288	6,489	(552,038)	78,739
Total assets being depreciated, net	89,974	(6,489)	NONE	83,485
Total	\$239,337	\$948,839	NONE	\$1,188,176

The amount recorded as construction in progress was engineering fees, construction costs, interest incurred during construction period, and other fees that were incurred during 2018 in connection with a major water system improvement project. The decrease in capital assets being depreciated and accumulated depreciation were fully depreciated assets that were replaced with the new water system improvements. Depreciation expense of \$6,489 for the year ended December 31, 2018 was reported in the statement of revenues, expenses, and changes in net position.

5. LONG-TERM OBLIGATIONS

On December 1, 2017, Lake Bruin Waterworks District No. 1, entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) by issuing \$1,200,000 in water revenue bonds to make improvements to its water system. LDH will give 20% principal forgiveness on each principal drawdown (up to a maximum of \$500,000 forgiveness) so the maximum amount of principal repayment will be \$960,000. The total amount of principal drawdowns as December

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

31, 2018 is \$1,090,653. The bonds bear interest at 1.95%, payable semi-annually on March 1 and September 1 of each year, which began on March 1, 2018. Lake Bruin Waterworks District No. 1, also pays a .50% administrative fee to LDH on the outstanding principal amount of the bond, payable on each interest payment date. The principal will be repaid in twenty annual installments which began September 1, 2018. The bonds are secured and payable from a pledge and dedication of water revenues after the payment of the reasonable and necessary operating and maintenance expenses.

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	2017 LDH DWRLF Loan
Balance at January 1, 2018	<u>\$111,774</u>
Additions	950,935
Reductions	(26,000)
Principal forgiveness	<u>(190,187)</u>
Balance at December 31, 2018	<u><u>\$846,522</u></u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2018:

Current portion	\$35,520
Long-term portion	<u>811,002</u>
Total	<u><u>\$846,522</u></u>

The estimated annual requirements to amortize the DWRLF principal drawdowns received to date are as follows:

Year	Principal	Interest	Administrative Fee	Total
2019	\$35,520	\$16,289	\$4,177	\$55,986
2020	36,390	15,815	4,055	56,260
2021	37,282	15,105	3,873	56,260
2022	38,194	14,378	3,688	56,260
2023	39,131	13,633	3,496	56,260
2024 - 2028	210,505	56,339	14,446	281,290
2029 - 2033	237,599	34,784	8,919	281,302
2034 - 2037	<u>211,901</u>	<u>10,455</u>	<u>2,681</u>	<u>225,037</u>

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

Year	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
Total	<u>\$846,522</u>	<u>\$176,798</u>	<u>\$45,335</u>	<u>\$1,068,655</u>

6. RESTRICTED CASH

The loan agreement with Louisiana Department of Health DWRLF requires that the District establish and maintain the following bank accounts:

	<u>Amount Required by Loan Agreement at December 31, 2018</u>	<u>Balance at December 31, 2018</u>
Construction Loan Fund - receiving and disbursing loan proceeds.	\$1,663	\$26,977
Water Revenue Bond Debt Service Fund - payment of semi-annual debt service payments; must transfer 1/12 of each year's debt service into this fund on a monthly basis.	14,176	27,429
Water Revenue Bond Reserve Fund - to provide funds to pay debt service on 2018 bonds that would otherwise be in default.	31,003	163,483
Water Revenue Bond Depreciation and Contingencies Fund - to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system.	<u>2,874</u>	<u>34,242</u>
Total	<u>\$49,716</u>	<u>\$252,131</u>

7. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position reported in the accompanying financial statements has been restated as follows:

LAKE BRUIN WATERWORKS DISTRICT NO. 1
 Notes to the Financial Statements

Beginning net position as previously reported	\$419,020
Accounts receivable overstated	(246)
Cash on hand - undeposited funds understated	4,252
Construction in progress understated	1,850
Customer meter deposit liability overstated	<u>13,069</u>
Beginning net position, restated	<u>\$437,945</u>

8. OPERATION AND MAINTENANCE AGREEMENT

Lake Bruin Waterworks District No. 1, entered into an agreement with JCP Management to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Commissioners of the District and in accordance with the annual budget and fee schedule adopted by the District. The monthly fee for providing basic operation and maintenance services is \$10 per user per month. Other services are billed based on the fee schedule included in the agreement. During the year ended December 31, 2018, the district paid JCP Management a total of \$58,707 for services under the agreement. In addition, the water system paid Womack and Sons Construction Group a total of \$876,913 in connection with its water system improvement project. The president of JCP Management is also the president of Womack and Sons Construction Group. The amount due JCP Management at December 31, 2018 was \$4,940.

9. RISK MANAGEMENT

The District purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

10. CONTINGENCIES

During the year ended December 31, 2018, the District expended \$950,935, in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health. These expenses are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the District’s management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

11. COMMITMENTS UNDER CONTRACTS

On October 31, 2017, the District awarded a construction contract in the amount of \$899,194 to Womack and Sons Construction Group, Inc., in connection with its water system improvement project that is being financed with a loan from the Louisiana Department of Health, Drinking Water Revolving Loan Fund discussed in Note 5 above. On May 14, 2018, a change order was approved increasing the total amount of the construction contract to \$938,528. The District also had a commitment under an engineering and consultant contract for \$210,200 in connection with its water system improvement project. As of December 31, 2018, \$876,913 costs have been paid under the construction contract and the balance remaining under the engineering/consulting contract was \$22,522.

12. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through June 13, 2019, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2018

**COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD AND
BOARD OF COMMISSIONERS**

The Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners is presented in compliance with Louisiana Revised Statute 24:513 A (3) and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The agency head as well as the board members serve without benefit of compensation.

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The Schedule of Expenditure of Federal Awards is presented as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

SCHEDULE OF INSURANCE POLICES IN FORCE

The Schedule of Insurance Policies in force is presented in compliance with the loan agreements with the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD
AND BOARD OF COMMISSIONERS
For the Year Ended December 31, 2018

BOARD COMPENSATION

Agency Head - Alphonse Coco - President	NONE
Paula Wilhite	NONE
David McEachern	NONE
Mike Rogers	NONE
Donna Ratcliff	<u>NONE</u>
Total	<u><u>NONE</u></u>

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Agency Name	Pass Through Agency	Federal Program Title	Federal CFDA Number	Other Identification Number	Federal Expenditures - Pass Through Awards
Environmental Protection Agency	Louisiana Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	Loan No. 1107001-01	<u>\$950,935</u>

Note to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the District's financial statements. The District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. The District's records should be consulted to determine the amounts expended from non-federal sources.

Note 2 - Loan Programs

The amount reported as federal expenditures is the amount of loan proceeds expended during the year ended December 31, 2018. The loan funds are subawards passed through the Louisiana Department of Health Drinking Water Revolving Loan Fund.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

SCHEDULE OF INSURANCE POLICIES IN FORCE (UNAUDITED)
For the Year Ended December 31, 2018

Insurer	Amount of Coverage	Risks Covered	In Effect
American Alternative Insurance Corporation	\$321,362 - \$500,000	Property	01/15/2018 - 01/15/2019
American Alternative Insurance Corporation	\$3,000,000	General Liability	01/15/2018 - 01/15/2019
American Alternative Insurance Corporation	\$10,000- \$20,000	Crime	01/15/2018 - 01/15/2019
American Alternative Insurance Corporation	\$3,000,000	Public Officials and Management Liability	01/15/2018 - 01/15/2019
Travelers	\$1,000,000	Directors and Officers Liability	10/26/2018 - 10/26/2021
Travelers	\$1,000,000	Employment Practices Liability	10/26/2018 - 10/26/2021
Western Surety Company	\$80,000	Position Bond	04/12/2018 - 04/12/2019

Independent Auditor's Report
Required by *Government Auditing Standards* and the Uniform Guidance

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

The following independent auditor's report on compliance for each major federal program and report on internal control over compliance is presented in compliance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, referred to as the Uniform Guidance.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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***

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; 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*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Lake Bruin Waterworks District No. 1, (the "District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lake Bruin Waterworks District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Bruin Waterworks District No. 1's internal control. Accordingly, I do not express an opinion on the effectiveness of Lake Bruin Waterworks District No. 1'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.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2018

My 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 have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2018-001, 2018-002, 2018-003, and 2018-004 that I consider to be material weaknesses.

Compliance and Other Matters

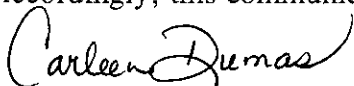
As part of obtaining reasonable assurance about whether Lake Bruin Waterworks District No. 1's financial statements are free from material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lake Bruin Waterworks District No. 1's Response to Findings

Lake Bruin Waterworks District No. 1's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Lake Bruin Waterworks District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana
June 13, 2019

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control over Compliance
Required by the Uniform Guidance**

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Lake Bruin Waterworks District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on Lake Bruin Waterworks District No. 1's major federal program for the year ended December 31, 2018. Lake Bruin Waterworks District No. 1's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Lake Bruin Waterworks District No. 1's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Bruin Waterworks District No. 1's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for Lake Bruin Waterworks District No. 1's major federal program. However, my audit does not provide a legal determination of the Lake Bruin Waterworks District No. 1's compliance.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Independent Auditor's Report
on Compliance for Each Major
Federal Program and Report on
Internal Control Over Compliance, etc.,
December 31, 2018

Opinion on Major Federal Program

In my opinion, Lake Bruin Waterworks District No. 1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Lake Bruin Waterworks District No. 1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Lake Bruin Waterworks District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Lake Bruin Waterworks District No. 1's internal control over compliance.

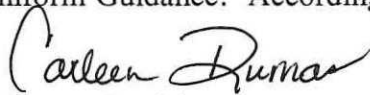
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Independent Auditor's Report
on Compliance for Each Major
Federal Program and Report on
Internal Control Over Compliance, etc.,
December 31, 2018

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Calhoun, Louisiana
June 13, 2019

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified? - No
Significant deficiency(ies) identified? - None reported
5. Type of auditor's report issued on compliance for major programs - Unmodified opinion.
6. Any audit findings disclosed that are required to be reported in under Section 200.516 paragraph (a) of the Uniform Guidance - No
7. Identification of major program:

Environmental Protection Agency
CFDA Number: 66.468 Capitalization Grants for Drinking Water State
Revolving Funds
8. Dollar threshold used to distinguish between type A and type B programs - \$750,000.
9. Auditee qualified as low-risk auditee? - No

Section II - Financial Statement Findings

2018-001. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The accounting duties of billing, collecting, and posting customer payments to customers accounts are performed by one management company employee.

Cause: Small size of the District.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Response

and Corrective Action Plan: It is not economically feasible to correct this deficiency based on the size of the District.

2018-002. Inadequate Controls Over Collections and Accounts Receivable

Criteria: Proper internal controls, as well as the Louisiana Legislative Auditor's best practices guidance for local governments, require that collections be deposited in the bank on at least a weekly basis and that accounts receivable recorded in the general ledger be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software.

Condition: The following deficiencies in internal controls were noted:

1. Collections are not deposited in the bank in a timely manner. Of the 25 detail payment listings that were tested, 14 of these amounts were deposited more than a week after collection. Collections for the period May 15, 2018, through May 18, 2018, were deposited on July 2, 2018, or 48 days

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Schedule of Findings and Questioned Costs

after collection. At December 31, 2018, a total of \$6,024 that was collected between December 11, 2018, and December 28, 2018, was on hand and was not deposited in the bank until January 10, 2019.

2. The accounts receivable balance recorded in the general ledger is not reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software. It was noted that only water charges and collections are posted to accounts receivable in the general ledger. Collections posted to the billing software are not always posted to the general ledger during the same month. Collections are not posted to the general ledger until they are deposited into the bank.

Cause: The District's bank is located 30 miles from the collection location which causes delays in depositing funds. The accounting personnel were unaware of the requirement to reconcile the accounts receivable balance on a monthly basis.

Effect: Undeposited funds are subject to being misplaced or stolen. Errors or irregularities in accounts receivable balances may not be detected within a timely period.

Recommendation: I recommend that collections be deposited on at least a weekly basis. All accounts receivable transactions, i.e., charges, penalties, adjustments, and collections should be posted to the general ledger. Collections that have been posted to the billing software should be posted as collections in the general ledger in the same month. The accounts receivable balance recorded in the general ledger should be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software and any differences should be investigated and resolved.

**Management's Response
and Corrective Action Plan:**

Collections will be deposited on at least a weekly basis. The accounts receivable balance recorded in the general ledger will be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software.

2018-003. Failure to Maintain Complete Customer Meter Deposit Records

Criteria: Proper internal controls, as well as the Louisiana Legislative Auditor's best practices guidance for local governments, require that subsidiary records be maintained for the customer meter deposit liability recorded in the general ledger and that the customer meter deposit liability recorded in the general ledger be reconciled on a monthly basis with the listing of customers' meter deposits maintained in the subsidiary records, i.e. the billing software.

Condition: At December 31, 2018, the District had approximately 416 customers. The listing of customers' meter deposits maintained in the billing software at December 31, 2018, included only 128 customers. Of the 128 listed, there were approximately 18 customers that appeared to have incorrect amounts recorded as their deposit amount. The listing of customers' meter deposits maintained in the billing software was not reconciled to the customer meter deposit liability recorded in the general ledger on a monthly basis.

Cause: The customer meter deposits for customers who paid their deposits prior to 2003 have not been recorded in the billing software. The accounting personnel were unaware of the requirement to reconcile the customer meter deposit liability on a monthly basis.

Effect: Errors in customer meter deposit records or the customer meter deposit liability recorded in the general ledger may not be detected and corrected within a timely period.

Recommendation: The customer accounts in the billing software should be reviewed and meter deposit amounts should be recorded or corrected for all active customers. After the customer records are updated, a listing of customers' meter deposits maintained in the billing software should be printed each month and reconciled to the customer meter deposit liability reported in the general ledger and any differences should be investigated and resolved.

**Management's Response
and Corrective Action Plan:**

Meter deposits will be recorded or corrected for all active customers. The customer meter deposit liability recorded in the general ledger will be reconciled on a monthly basis to the listing of customers' meter deposits maintained in the billing software.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
Schedule of Findings and Questioned Costs

**2018-004. Receipts and Disbursements in Construction Account
Not Posted to Proper General Ledger Accounts**

Criteria: Proper internal controls require that accounting records be maintained in a manner that provides for the timely preparation of accurate and complete financial statements.

Condition: The loan proceeds deposited into the Construction Account that accounts for the Louisiana Department of Health (LDH), Drinking Water Revolving Loan Fund, were incorrectly posted to the general ledger as miscellaneous income and the costs associated with the water system improvement project that were paid from the Construction Account were incorrectly posted as repairs and maintenance and professional fees.

Cause: Error.

Effect: Inaccurate accounting records.

Recommendation: The loan proceeds received from LDH should be posted to the Loan Payable - LDH general ledger account or the Loan Principal Forgiveness general ledger account based on documentation provided by LDH. Disbursements from the Construction Account should be posted to construction in progress that is accounted for in the Water System Other general ledger account.

**Management's Response
and Corrective Action Plan:**

Loan proceeds from LDH will be posted to the Loan Payable - LDH general ledger account or the Loan Principal Forgiveness general ledger account and Construction account disbursements will be posted as construction in progress in the Water System Other general ledger account.

Section III - Federal Award Findings

None.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

LOUISIANA LEGISLATIVE AUDITOR

I have performed the procedures enumerated below, which were agreed to by Lake Bruin Waterworks District No. 1 (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 period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
Applying Agreed-Upon Procedures
December 31, 2018

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District did not have written policies and procedures for the above categories and subcategories for the year ended December 31, 2018.

Management's Response: Written policies and procedures for the applicable categories and subcategories were adopted by the Board of Commissioners on June 20, 2019.

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
Applying Agreed-Upon Procedures
December 31, 2018

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Board of Commissioners met on a quarterly basis as required by LRS 33:3819.

- 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.

The minutes included no reference to financial statements.

- 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 does not have a General Fund. It has one Enterprise Fund.

Management's Response: Financial statements will be reviewed at the quarterly board meetings beginning with the next meeting held.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and bank reconciliation for each selected account, and observe that:

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
Applying Agreed-Upon Procedures
December 31, 2018

Management provided the required listing and a representation that the listing is complete. Management identified the main operating account.

- 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);

All selected bank reconciliations included evidence that they were prepared within 2 months of the related 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

There was no evidence of a board member reviewing the selected bank reconciliations.

- 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.

None of the selected bank reconciliations had reconciling items that had been outstanding for more than 12 months from the statement closing date.

Management's Response: The President of the Board will review and initial all monthly bank reconciliations.

Collections

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

Management provided the required listing and a representation that the listing is complete. The District has only one deposit site.

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

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana
LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
Applying Agreed-Upon Procedures
December 31, 2018

site (i.e. 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:

Management provided the required listing and a representation that the listing is complete. The District has only one collection location. I inquired of the management company's employees about their job duties at the District's collection location.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Management company employees responsible for cash collections share the same cash box.

- 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.

Management company employees responsible for cash collections also prepare the bank deposits but another management company employee makes the actual bank deposit.

- 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.

Management company employees responsible for cash collections are also responsible for posting entries to subsidiary ledgers (customer account records).

- 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.

For the months of January through June 2018, management company employees responsible for cash collections were also responsible for reconciling cash collections to the general ledger. Beginning in July 2018, management company employees responsible for cash collections were not responsible for reconciling cash collections to the general ledger.

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Management's Response: Due to the limited number of management company employees, employees who collect cash must share the same cash box with other employees, prepare the bank deposit, and record the related transaction in the subsidiary ledgers (customer account records).

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

All management company employees who have access to cash are covered by a position surety bond.

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). Obtain supporting documentation for each of the 10 deposits and:

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

Receipts are not issued.

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

The selected deposit total did not agree to the total of the detail payment registers attached to the deposit slip.

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

The deposit slip selected was traced to the deposit amount on the bank statement.

- 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).

Receipts collected from April 17, 2018 through May 14, 2018 were deposited on May 17, 2018. There was only one bank deposit during the month of May 2018.

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

The selected deposit was traced to the general ledger.

Management's Response: Collections will be deposited on at least a weekly basis. All detail payment registers that support a deposit will be attached to the deposit.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management provided the required listing and a representation that the listing is complete.

- 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 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:

Management provided the required listing. I inquired of the management company's employees about their job duties at the District's payment processing locations.

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

The District does not use a purchase order system.

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

Management company employees prepare checks for payments to vendors and the Board President approves the invoices/support and co-signs the checks. The president of the management company also co-signs the checks.

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- 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.

Management company employees responsible for processing payments are also responsible for adding/modifying vendor files.

- d) Either the employee/official responsible for signing checks mails the payments or gives the signed checks to an employee to mail who is not responsible for processing payments.

Management company employees responsible for processing payments are also responsible for mailing the checks.

Management's Response: Due to the limited number of management company employees, the same employee is responsible for processing payments to vendors, adding/modifying vendor files, and mailing the checks to vendors.

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 the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Management provided the required transaction population and a representation that the population is complete.

- a) Observe that the disbursement matched the related original invoice/billing statement.

The selected disbursements matched the related original invoices.

- b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

The invoices supporting the selected disbursements were not initialed by the Board President.

Management's Response: The Board President will initial all supporting invoices beginning July 1, 2019.

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

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

The District does not use credit cards, bank debit cards, fuel cards, or P-cards.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

See #11 above.

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

See #11 above.

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

See #11 above.

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Travel and Expense Reimbursement

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:

There were no travel or travel-related expense reimbursements during the fiscal period.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the period. Obtain management's representation that the listing. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract and:

I obtained a transaction list by vendor for the fiscal period. The District had no agreements or contracts that were initiated or renewed during the fiscal period with any of the vendors listed.

Payroll and Personnel

This category is excluded from testing because the District does not have any employees.

Ethics

20. Obtain a listing of employees/officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials and obtain ethics documentation from management, and:

Management provided the required listing of board members and a representation that the listing is complete.

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

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The District does not maintain documentation that demonstrates that members of the Board of Commissioners complete one hour of ethics training each fiscal period. However, two of the commissioners completed ethics training through their employment.

- 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.

The District has not adopted a written ethics policy.

Management's Response: The Board of Commissioners will adopt the Louisiana Code of Governmental Ethics as its ethics policy and will require each commissioner to complete one hour of ethics training each year and verify annually that they have read the District's ethics policy.

Debt Service

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

Management provided the required listing and a representation that the listing is complete. The District received loan proceeds during 2018 from a 2017 bond issue. State bond commission approval was obtained for the 2017 bond issue.

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 the debt covenants.

Management provided the required listing and a representation that the listing is complete. Reserve payments were not made as specified in the debt covenants but the balances in the required reserve accounts at December 31, 2018 were more than what was required by the debt covenants.

Management's Response: The District will maintain the reserve accounts in accordance with the loan agreement.

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Other

23. Obtain a listing of misappropriations of public funds or 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.

The Board President provided a representation that there were no misappropriations during the fiscal period.

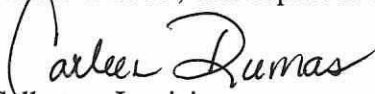
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice required by R.S. 24:523.1 was not posted at the District's premises. The District does not have a website.

Management's Response: The required notice will be posted at the water plant as well as at the management company's office.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.


Cathoun, Louisiana
June 12, 2019

LAKE BRUIN WATERWORKS DISTRICT NO. 1

St. Joseph, Louisiana 71366

Alphonse Coco, President
Paula Wilhite, Secretary

Donna Ratcliff

David McEachern
Mike Rogers

Finding No. 2018-001

Corrective Action Planned: None. It is not economically feasible to correct this deficiency based on the size of the District.

Person Responsible for Corrective Action: N/A

Anticipated Completion Date: N/A

Finding No. 2018-002

Corrective Action Planned: Collections will be deposited on at least a weekly basis. The accounts receivable balance recorded in the general ledger will be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software.

Person Responsible for Corrective Action: JCP Management personnel.

Anticipated Completion Date: December 31, 2019

Finding No. 2018-003

Corrective Action Planned: Meter deposits will be recorded or corrected for all active customers. The customer meter deposit liability recorded in the general ledger will be reconciled on a monthly basis to the listing of customers' meter deposits maintained in the billing software.

Person Responsible for Corrective Action: JCP Management personnel.

Anticipated Completion Date: December 31, 2019

Finding No. 2018-004

Corrective Action Planned: Loan proceeds from LDH will be posted to the Loan Payable - LDH general ledger account or the Loan Principal Forgiveness general ledger account and Construction account disbursements will be posted as construction in progress in the Water System Other general ledger account.

Person Responsible for Corrective Action: JCP Management personnel.

Anticipated Completion Date: December 31, 2019