

Greater Ward One Waterworks District
of Lincoln Parish

Annual Financial Statements
For the Year Then Ended December 31, 2019

Greater Ward One Waterworks District
of Lincoln Parish

Annual Financial Statements
For the Year Ended December 31, 2019
With Supplemental Information Schedules

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Greater Ward One Waterworks District
of Lincoln Parish
Management Discussion and Analysis
As of and for the Year Ended December 31, 2019

The management of the Greater Ward One Waterworks District of Lincoln Parish, Louisiana offers readers of the Greater Ward One Waterworks, Louisiana's (District) financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the District's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of District finances. It is also intended to provide readers with an analysis of the District's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the District. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the tenth year the District has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, which seek to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to private sector businesses.

The statement of net position presents information on all of the District's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

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The statement of activities presents information which shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected water bills).

These reports are broken down by business-type activities. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water Departments.

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the District's assets exceeded its liabilities by \$1,503,511 (net position); this represents an increase of \$131,191 from the last fiscal year. Of this total net asset amount, \$525,134 is unrestricted net position. The District's net position are comprised entirely from business-type activities.

The following is a condensed statement of the Greater Ward One Waterworks's net position as of December 31, 2019:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Assets			
Current & Other Assets	\$991,540	\$854,195	\$137,345
Capital Assets (net)	<u>1,745,112</u>	<u>1,765,616</u>	<u>(20,504)</u>
Total Assets	<u>\$2,736,652</u>	<u>\$2,619,811</u>	<u>\$116,841</u>
Liabilities			
Other Liabilities	\$156,375	\$144,034	\$12,341
Long-term Liabilities	<u>1,076,766</u>	<u>1,103,457</u>	<u>(26,691)</u>
Total Liabilities	<u>1,233,141</u>	<u>1,247,491</u>	<u>(14,350)</u>
Net Position			
Invested in capital assets, net	641,596	636,659	4,937
Restricted	336,781	319,343	17,438
Unrestricted	<u>525,134</u>	<u>416,318</u>	<u>108,816</u>
Total Net Position	<u>\$1,503,511</u>	<u>\$1,372,320</u>	<u>\$131,191</u>

The District's net position of \$641,596 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

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The balance in restricted net position is \$336,781, which is restricted for debt. The remaining balance of \$525,134 is unrestricted net position, which may be used to meet the District's on-going obligations to citizens and creditors.

The District has total outstanding debt of \$1,233,141, which was used to finance some of the \$1,745,112 capital assets. Total liabilities of \$1,233,141, are equal to 82% of the total net position.

The following is a summary of the statement of activities:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenue			
Program Revenue	\$764,832	\$717,058	\$47,774
Operating Grants & Contributions	0	0	0
General Revenue & Transfers	26,310	45,667	(19,357)
Total Revenue	<u>791,142</u>	<u>762,725</u>	<u>28,417</u>
Expenses			
Water Utilities	<u>659,951</u>	<u>613,325</u>	<u>46,626</u>
Total Expenses	<u>659,951</u>	<u>613,325</u>	<u>46,626</u>
Increase (Decrease) in Net Position	131,191	149,400	(18,209)
Net Position, December 31, 2018	<u>1,372,320</u>	<u>1,222,920</u>	<u>149,400</u>
Net Position, December 31, 2019	<u>\$1,503,511</u>	<u>\$1,372,320</u>	<u>\$224,443</u>

Governmental Activities

The District does not have any governmental activities.

Business-type Activities

The business-type activities of the District are those that charge a fee to customers for the services provided. The District has one business-type activity, which are accounted for in enterprise fund. The District uses enterprise fund to account for the revenues and expenses related to the provision of water services.

The following is a summary of the business-type activities of the District:

	<u>Operating Revenues Net of Purchases</u>	
	<u>Water</u>	<u>Total</u>
Fiscal year ended December 31, 2018	\$759,319	\$759,319
Fiscal year ended December 31, 2019	<u>765,314</u>	<u>765,314</u>
Increase (decrease) between years	<u>\$5,995</u>	<u>\$5,995</u>

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	Operating Expenses	
	Water	Total
Fiscal year ended December 31, 2018	\$562,330	\$562,330
Fiscal year ended December 31, 2019	610,095	610,095
Increase (decrease) between years	\$47,765	\$47,765
	Net Income (Loss) From Operations	
	Water	Total
Fiscal year ended December 31, 2018	\$196,989	\$196,989
Fiscal year ended December 31, 2019	155,219	155,219
Increase (decrease) between years	(\$41,770)	(\$41,770)

The reasons for major fluctuations noted above are as follows:

Increase in Operating Revenues was due to increase in water usage which increased water revenues. Increase in Operating Expenses was the result of increase in repairs and maintenance and wages, per management.

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for a particular purpose.

The District currently maintains no individual governmental fund types.

Fund Financial Statements - Proprietary Funds

The District maintains one proprietary fund. A proprietary fund is used to report the same functions as business-type activities. The District uses its enterprise fund (the first type of proprietary fund) to account for its Water Operations. The enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the District's Proprietary Fund

The District's proprietary fund shows an increase in ending net position of \$131,191. The 2019 operating income of the Water Department totaling \$155,219 represents a decrease of \$41,770 from fiscal year 2018.

In that, financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

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Proprietary Fund Budgetary Highlights

The District amended their original budget once during the course of the year.

The actual revenues for the current fiscal year were less than budgeted revenues by \$43,958 for a negative 5.3% variance. Actual expenses for the current fiscal year were less than budgeted expenses by \$50,214 for a positive variance.

Capital Asset and Debt Administration

The total net investment in capital assets as of December 31, 2019 is \$641,596.

Current Financial Factors

The expenses for this fiscal year are expected to be comparable to prior year.

Requests for Information

This financial report is designed to provide a general overview of the Greater Ward One Waterworks District's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Secretary/Treasurer, 318-255-7995, P. O. Drawer 637, Ruston, LA 71273.

WADE & PERRY
Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

Independent Auditor's Report

Board of Commissioners
Greater Ward One Waterworks District
of Lincoln Parish
Ruston, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Greater Ward One Waterworks District ("District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Greater Ward One Waterworks District, as of December 31, 2019, and the respective changes in financial position and where applicable, 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 1-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 following schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements: budget comparison schedule, schedule of compensation paid to commissioners, schedule of changes in restricted assets, schedule of insurance, schedule of federal financial assistance and the schedule of compensation, benefits and other payments to agency head.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis and budgetary comparison 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 a report dated February 25, 2020, 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 the 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.


Ruston, Louisiana
February 25, 2020

Greater Ward One Waterworks District
of Lincoln Parish
Statement of Net Position, Proprietary Fund
December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and equivalents	\$587,407	\$466,630
Receivables	57,160	58,030
Prepaid items	10,192	10,192
Restricted assets	336,781	319,343
Capital assets (net)	<u>1,745,112</u>	<u>1,765,616</u>
TOTAL ASSETS	<u>\$2,736,652</u>	<u>\$2,619,811</u>
Deferred outflows of resources	0	0
LIABILITIES		
Accounts, salaries, and other payables	\$18,141	\$16,445
Payable from restricted assets	111,484	102,089
Loans payable - current	26,750	25,500
Loans payable - noncurrent	<u>1,076,766</u>	<u>1,103,457</u>
TOTAL LIABILITIES	<u>1,233,141</u>	<u>1,247,491</u>
Deferred inflows of resources	0	0
NET POSITION		
Net invested in capital assets	641,596	636,659
Restricted for retirement of debt	336,781	319,343
Unrestricted	<u>525,134</u>	<u>416,318</u>
TOTAL NET POSITION	<u>\$1,503,511</u>	<u>\$1,372,320</u>

The accompanying notes are an integral part of this statement.

Greater Ward One Waterworks District
of Lincoln Parish
Statement of Activities
Year Ended December 31, 2019

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	2019	2018
Business-type activities						
Water charges	\$659,951	\$764,832			\$104,881	\$103,733
Total business-type activities	659,951	764,832	0	0	104,881	103,733
Total primary government	<u>\$659,951</u>	<u>\$764,832</u>	<u>\$0</u>	<u>\$0</u>	<u>\$104,881</u>	<u>\$103,733</u>
General revenues:						
Investment earnings					3,836	3,006
Gain on sale of asset					21,992	400
Other general revenues					482	42,261
Total general revenues and transfers					<u>26,310</u>	<u>45,667</u>
Change in Net Position					131,191	149,400
Net position - beginning					<u>1,372,320</u>	<u>1,222,920</u>
Net position - ending					<u>\$1,503,511</u>	<u>\$1,372,320</u>

The accompanying notes are an integral part of this statement.

Greater Ward One Waterworks District
of Lincoln Parish
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Charges for services - water sales	\$733,284	\$717,058
Meter taps	25,431	34,032
Miscellaneous income	6,599	8,229
Total Operating Revenues	<u>765,314</u>	<u>759,319</u>
Operating Expenses		
Cost of sales and services	296,491	259,304
Administration	203,864	192,476
Depreciation	109,740	110,550
Total Operating Expenses	<u>610,095</u>	<u>562,330</u>
Operating income (loss)	155,219	196,989
Nonoperating revenue (expenses)		
Interest earnings	3,836	3,006
Interest expense	(49,856)	(50,995)
Total Nonoperating Revenue (Expenses)	<u>(46,020)</u>	<u>(47,989)</u>
Income before contributions and transfers	109,199	149,000
Capital contributions	0	0
Sale of assets	21,992	400
Change in Net Position	131,191	149,400
Total Net Position - Beginning	<u>1,372,320</u>	<u>1,222,920</u>
Total Net Position - Ending	<u><u>\$1,503,511</u></u>	<u><u>\$1,372,320</u></u>

The accompanying notes are an integral part of this statement.

Greater Ward One Waterworks District
of Lincoln Parish
Statement of Cash Flows, Proprietary Funds
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$766,184	\$756,526
Payments to suppliers	(353,638)	(315,678)
Payments to employees	(135,531)	(125,584)
Net Cash Provided by Operating Activities	<u>277,015</u>	<u>315,264</u>
Cash Flows from Noncapital Financing Activities		
Loan proceeds from USDA	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(91,058)	(5,360)
Gain (loss) on sale of assets	23,815	600
Principal paid on capital debt	(25,442)	(24,306)
Interest paid on capital debt	(49,951)	(51,087)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(142,636)</u>	<u>(80,153)</u>
Cash Flows from Investing Activities		
Interest and dividends received	<u>3,836</u>	<u>3,006</u>
Net Cash Provided by Investing Activities	<u>3,836</u>	<u>3,006</u>
Net Increase in Cash and equivalents	138,215	238,117
Cash and equivalents, Beginning of Year	<u>785,973</u>	<u>547,856</u>
Cash and equivalents, End of Year	<u>\$924,188</u>	<u>\$785,973</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities		
Operating income	\$155,219	\$196,989
Depreciation expense	109,740	110,550
(Increase) decrease in accounts receivable	870	(2,793)
Increase (decrease) in customer deposits	9,490	8,174
Increase (decrease) in accounts, salaries, and other payables	1,696	234
(Increase) decrease in prepaid expenses	0	0
Increase (decrease) in accrued interest payable	0	0
Net Cash Provided by Operating Activities	<u>277,015</u>	<u>313,154</u>
Reconciliation of total cash and cash investments:		
Current assets - cash and cash investments	\$587,407	\$466,630
Restricted assets - cash and cash investments	<u>336,781</u>	<u>319,343</u>
Total cash and cash investments	<u>\$924,188</u>	<u>\$785,973</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

INTRODUCTION

The Greater Ward One Waterworks District of Lincoln Parish was organized in 1967 as a political subdivision of Lincoln Parish to provide water usage and service to the residents of Greater Ward One Waterworks District in Lincoln parish. The District has five commissioners comprising the board who are appointed by the Board of Commissioners. The commissioners are compensated at a fixed amount per meeting. The District serves approximately 1,152 active customers and employs four people. The District operates three facilities with approximately 85 miles of water lines.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Notes to the Financial Statements
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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major proprietary fund:

The Water fund is to account for the provision of water services to the customers of the District. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposits, government back securities,

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the District are reported at fair value.

D. Restricted Assets

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

E. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Water lines and wells Improvements	40 years 15 years
Building	25 years
Equipment	5-7 years

F. Compensated Absences

The District has the following policy relating to vacation and sick leave:

Employees of the District cannot accrue vacation or sick time. Therefore, no liability has been recorded.

G. Fund Equity

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 assets with constraints placed on the use with by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt"

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

Proprietary fund equity is classified in the same manner as in the government-wide statements.

H. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 the estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The District uses the following budget practices:

The District adopted a budget for the fiscal year ended December 31, 2019 for the proprietary fund. The District follows the following procedures in establishing the budgetary data reflected in the financial statements. During the November meeting, the clerk submits to the board of commissioners a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenses and the means of financing them. Also during the November meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The clerk is authorized to transfer budgeted amounts between departments within the fund; however, any revisions that alter the total expenses of the fund must be approved by the board of commissioners. Appropriations lapse at the end of the year. There was one amendment.

3. CASH AND CASH EQUIVALENTS

At December 31, 2019, the District has cash and cash equivalents (book balances) totaling \$924,188 as follows:

Petty cash	\$500
Interest-bearing demand deposits	659,071
Investments	<u>264,617</u>
Total	<u>\$924,188</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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.

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

At December 31, 2019, the District has 928,757 in deposits (collected bank balances). These deposits are secured from risk by \$928,757 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

4. INVESTMENTS

Investments include 5 certificates of deposit with maturities of 1 and 5 years that have been included in cash and equivalents in the basic financial statements. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

At fiscal year-end, the District's investments balances were as follows:

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificates of deposit	\$164,412			\$164,412			\$164,412
Total investments	\$164,412	\$0	\$0	\$164,412	\$0	\$0	\$164,412

5. RECEIVABLES

The receivables of \$57,160 at December 31, 2019, consist solely of amounts due for monthly water usage.

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2019, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$52,640			\$52,640
Construction in progress	0			0
Total capital assets not being depreciated	52,640	0	0	52,640
Capital assets being depreciated				
Buildings	80,045			80,045
Improvements other than buildings	1,515,269			1,515,269
Machinery and equipment	2,179,144	\$53,090	(\$15,577)	2,216,657
Vehicles	43,401	37,968	(43,401)	37,968
Total capital assets being depreciated	3,817,859	91,058	(58,978)	3,849,939

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation	2,104,883	109,740	(57,155)	2,157,468
Total capital assets being depreciated, net	\$1,765,616	(\$18,682)	(\$1,823)	\$1,745,111

7. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$18,141 at December 31, 2019, are as follows:

Withholdings	\$6,466
Accounts	11,675
Other	0
Total	\$18,141

8. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation loans payable transactions for the year ended December 31, 2019:

Long-term obligations at beginning of year	\$1,128,957
Additions	0
Deductions	(25,441)
Long-term obligations at end of year	\$1,103,516

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2019:

Current portion	\$26,750
Long-term portion	1,076,766
Total	\$1,103,516

The loans payable at December 31, 2019, are comprised of the following individual issues:

	Outstanding 12/31/19
\$280,000 1997 Water Revenue Bonds dated 4-1-97, due in annual installments of \$6,554 to \$1,456 through March 20, 2037, interest at 5.5%	\$193,507
\$1,102,000 2008 Water Revenue Bonds dated 12-28-05, due in monthly installments of \$4,827 through December 1, 2045, interest at 4.25%	910,009
Total	\$1,103,516

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

The annual requirements to amortize all loans outstanding as of December 31, 2019, including interest of \$705,282 are as follows:

Year Ending December 31,	
2020	\$75,393
2021	75,393
2022	75,393
2023	75,393
2024	75,393
2025 thereafter	<u>1,431,832</u>
Total	<u><u>\$1,808,797</u></u>

9. RETIREMENT SYSTEMS

Substantially all employees of Greater Ward One Waterworks, are members of a retirement plan. This retirement plan is managed by Royal Alliance Associates, Inc. It is a variable annuity.

10. FLOW OF FUNDS: RESTRICTIONS ON USE - UTILITIES REVENUES

Water Revenue bonds under the terms of the bond indenture on outstanding Water Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Water Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

All of the revenue earned by the District from the operation of the waterworks system (the "System"), must be deposited Monies in the Waterworks Revenue Fund. Monies in the Waterworks Revenue Fund shall be first used for the payment of all reasonable and necessary expenses of operating and maintaining the System, and all payments required in connection with the outstanding Revenue Note payable from the revenues of the System.

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

There shall also be set aside into a "Reserve Fund" at a rate of \$315 per month until monies therein equals the highest combined annual debt service in any future year (\$75,393 through 2035; \$63,745 through 2036; \$57,921 through 2044.)

Funds will also be set aside into a "Depreciation Fund" at the rate of \$315 per month until \$75,393 is on deposit in the Reserve Fund, and thereafter a monthly sum equal to 10% of the monthly payments into the Sinking Fund.

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

Greater Ward One Waterworks District
of Lincoln Parish
Notes to the Financial Statements
As of and For the Year Ended December 31, 2019

11. CONTINGENT LIABILITIES

The District is not involved in any litigation at December 31, 2019, nor is it aware of any unasserted claims.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2020. This date represents the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL SCHEDULES

Greater Ward One Waterworks District
Budget Comparison Schedule -
Budget and Actual - General Fund
For the year ended December 31, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final Amended		
REVENUES				
Water revenue	\$700,000	\$780,000	\$733,284	(\$46,716)
Meter Taps	27,000	21,000	25,432	4,432
Miscellaneous	8,400	31,500	6,598	(24,902)
Total Operating Revenues	735,400	832,500	765,314	(67,186)
EXPENSES				
Accounting	1,000	1,000	820	180
Advertising	400	400	384	16
Audit	10,000	12,000	11,750	250
Auto Allowance	4,000	4,000	3,883	117
Bank service charges	1,500	1,700	1,853	(153)
Commissioner's Fees	2,880	1,680	1,680	0
Chemicals	5,500	5,500	4,852	648
Depreciation	100,000	98,400	109,740	(11,340)
Dues and subscriptions	500	400	344	56
Engineering fees	1,000	4,000	3,211	789
Insurance	15,000	13,900	13,834	66
Insurance - Group	25,000	24,000	25,278	(1,278)
Insurance - Workman's Comp	5,000	4,500	4,459	41
Legal & Professional	600	0	175	(175)
Licenses and permits	200	1,800	1,795	5
Rental	500	0		0
Meter taps	1,000	0		0
Miscellaneous	500	0		0
Office Expense	10,000	6,500	6,180	320
Outside Services	45,000	40,000	38,328	1,672
Postage	7,200	5,900	5,960	(60)
R & M - Other	4,200	836	814	22
R & M - Lines	3,000	55,000	56,513	(1,513)
R & M - Bldg & Grounds	2,000	4,500	4,454	46
R & M - Wells & Tanks	53,000	50,000	48,422	1,578
Retirement	3,985	3,386	3,240	146
Salaries	132,846	136,846	135,531	1,315
Supplies	25,000	45,000	25,058	19,942
Taxes - Payroll	12,620	13,620	11,187	2,433
Taxes - Other	20,000	20,000	16,578	3,422
Taxes - Sales	5,000	3,500	2,950	550
Telephone	9,000	10,500	10,894	(394)

(Continued)

Greater Ward One Waterworks District
 Budget Comparison Schedule -
 Budget and Actual - General Fund
 For the year ended December 31, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final Amended		
Testing fees	600	0		
Travel	200	365	366	(1)
Utilities	50,000	58,000	59,562	(1,562)
Total Expenses	<u>558,231</u>	<u>627,233</u>	<u>610,095</u>	<u>17,138</u>
OPERATING INCOME	177,169	205,267	155,219	(50,048)
NONOPERATING REVENUE (EXPENSES)				
Sale of assets	0	0	21,992	21,992
Interest income	1,000	2,600	3,836	1,236
Interest expense	<u>(82,932)</u>	<u>(82,932)</u>	<u>(49,856)</u>	<u>33,076</u>
Total Nonoperating Revenue (Expenses)	<u>(81,932)</u>	<u>(80,332)</u>	<u>(24,028)</u>	<u>56,304</u>
NET INCOME (LOSS)	95,237	124,935	131,191	6,256
RETAINED EARNINGS, BEGINNING	<u>0</u>	<u>0</u>	<u>1,372,320</u>	<u>1,372,320</u>
RETAINED EARNINGS, ENDING	<u><u>\$95,237</u></u>	<u><u>\$124,935</u></u>	<u><u>\$1,503,511</u></u>	<u><u>\$1,378,576</u></u>

The accompanying notes are an integral part of the schedule.

Greater Ward One Waterworks District
of Lincoln Parish
Schedule of Compensation Paid to Commissioners
For the Year Ended December 31, 2019

Butler Hampton, President	Retired December, 2019	\$27,450
F. J. Armond	Expires October 8, 2022	420
Paula Griswold	Expires April 11, 2021	420
Keith Barnes	Expires February 10, 2024	420
Kyle Warner	Expires December 31, 2021	<u>420</u>
Total		<u>\$29,130</u>

The accompanying notes are an integral part of the schedule.

Greater Ward One Waterworks District
Of Lincoln Parish
Schedule of Changes in Restricted Assets
For the Year Ended December 31, 2019

	<u>RESERVE FUNDS</u>	<u>SINKING FUND</u>	<u>CUSTOMER DEPOSIT</u>	<u>DEPRECIATION RESERVE</u>	<u>TOTAL</u>
Balance, beginning	\$81,844	\$0	\$107,844	\$129,655	\$319,343
RECEIPTS					
Deposits			23,450		23,450
Transfer from operating				6,911	6,911
Interest earned			969	280	1,249
Total cash receipts	<u>0</u>	<u>0</u>	<u>24,419</u>	<u>7,191</u>	<u>31,610</u>
Total available	81,844	0	132,263	136,846	350,953
DISBURSEMENTS					
Refunds			(14,171)		(14,171)
Transfer to operating					0
Payment of principal and interest					0
Total disbursements	<u>0</u>	<u>0</u>	<u>(14,171)</u>	<u>0</u>	<u>(14,171)</u>
Balance, ending	<u>\$81,844</u>	<u>\$0</u>	<u>\$118,092</u>	<u>\$136,846</u>	<u>\$336,782</u>

The accompanying notes are an integral part of the schedule.

Greater Ward One Waterworks District
of Lincoln Parish
Schedule of Insurance in Force
As of December 31, 2019

Bonds - Highway and street permits

Agent: Louisiana Insurance Services, Inc.	Effective Date: 2-14-19
Insurer: CNA Surety	Date Expires: 2-14-20
Policy No.: 72000658	Annual Premium: \$337

Coverage Property Insured
\$50,000

Business Auto Liability Policy

Agent: Woodard Walker Mullin Insurance Agency	Effective Date: 9-28-19
Insurer: Allied World Specialty Ins. Co.	Date Expires: 9-28-20
Policy No.: 5106-1667-04	Annual Premium: \$3,023

Coverage	Property Insured
\$1,000,000 Liability	2018 Ram 2500
\$1,000,000 Liability	2012 Tiger Utility Trailer

General and Commercial Liability Coverage

Agent: Woodard Walker Mullin Insurance Agency	Effective Date: 9-28-19
Insurer: Allied World Specialty Ins. Co.	Date Expires: 9-28-20
Policy No.: 5106-1667-04	Annual Premium: \$10,623

Coverage	Insured
\$ 3,000,000	Bodily Injury, property damage, & medical expenses
\$ 3,000,000	Products/Completed Operations
\$ 3,000,000	Aggregate for all wrongful acts and offenses
\$ 1,614,400	Real Property & Business Personal Property
\$ 750,000	Coverage Extension Blanket
\$ 100,000	Employee theft, forgery, fraud
\$ 61,569	Mobile Equipment Limit (Scheduled equipment)
\$ 25,000	Mobile Equipment Limit (Borrowed, rented, or leased)
\$ 10,000	Medical expenses for any one person
\$ 5,000	Robbery

The accompanying notes are an integral part of the schedule.

WADE & PERRY
Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

Auditor's Report on
Schedule of Federal Financial Assistance

Board of Commissioners
Greater Ward One Waterworks District
of Lincoln Parish

We have audited the basic financial statements of Greater Ward One Waterworks District of Lincoln Parish, for the year ended December 31, 2019, and have issued our report thereon dated February 25, 2020. Our audit of such basic financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wade & Perry
Ruston, Louisiana
February 25, 2020

Greater Ward One Waterworks District
of Lincoln Parish
Schedule of Federal Financial Assistance
For The Year Ended December 31, 2019

<u>GRANTOR/PROGRAM TITLE</u>	<u>Loan Number</u>	<u>Loan Balance</u>
United States Department of Agriculture		
Farmers Home Administration	91.07	\$193,507
Farmers Home Administration	91.08	<u>910,009</u>
Total Federal Assistance		<u><u>\$1,103,516</u></u>

The accompanying notes are an integral part of the schedule.

Greater Ward One Waterworks District
of Lincoln Parish
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2019

Schedule 6

Agency Head Name: Butler Hampton (former), FJ Armond (current)

Purpose	Butler Hampton	FJ Armond
Salary	\$27,450	\$0

OTHER REPORTS

WADE & PERRY

Certified Public Accountants
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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of Commissioners
Greater Ward One Waterworks District
of Lincoln Parish

We have audited, 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, the financial statements of the governmental activities of Greater Ward One Waterworks District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Recommendations and Corrective Action Plan, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. 2019-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. 2019-2

Compliance and Other Matters

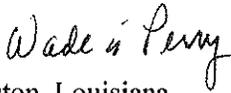
As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003, 2019-004 and 2019-005.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Ruston, Louisiana
February 25, 2020

Greater Ward One Waterworks District
of Lincoln Parish
Schedule of Current Year Findings and Questioned Costs
For the Year Ended December 31, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of the Greater Ward One Waterworks District.
2. Three instances of noncompliance material to the financial statements of the Greater Ward One Waterworks District were disclosed during the audit.
3. Two significant deficiencies relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control.

B. Financial Statements Findings

2019-001. Significant deficiency in internal control over financial reporting

Condition: Management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare their annual financial statements. This condition is intentional by management based upon the District's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. In relation to this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established.

Criteria: Considered material weakness if District cannot apply generally accepting accounting principles.

Cause: The District does not have staff capable of preparing report and notes and applying generally accepting accounting principles.

Effect: Potential misstatements in financial statements may not be detected

Recommendation: No recommendation is made for this deficiency. Management must determine whether the benefit from an internal control deficiency exceeds its cost, and therefore it may be impractical to correct all deficiencies required to be reported under SAS 112. The cost benefit analysis is not a factor in the reporting requirement of SAS 112. We do not believe that correcting the significant deficiency as described above would be cost effective or practical for the District.

Corrective Action Plan: Management is aware of the finding and has decided that is it not cost beneficial.

2019-002. Lack of segregation of duties

Condition: The District does not have an adequate segregation of duties regarding its accounting and reporting system to maintain a complete system of internal control. This is a repeat finding.

Criteria: Considered good business practice to have segregation of duties wherever possible.

Cause: Small government entity with limited personnel available

Effect: Potential misstatements in financial statements may not be detected and is at risk for fraud.

Recommendation: We recommend that it would not be cost effective for the District to hire additional personnel to resolve this problem. Also we recommend the district consider the costs and benefits of separation of duties between personnel to ensure that internal controls are maintained as effectively as is possible with limited staff.

Corrective Action Plan: Management is aware of the problem of segregation of duties and will continue to develop and implement internal control procedures to offset this inherent problem associated with being a small entity.

2019-003. Failing to comply with local budget act pursuant to R.S. 39:1310

Condition: For the year ended December 31, 2019, budgeted revenues and other sources exceeded actual revenues and other sources by \$43,958, or 5.3%.

Criteria: According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Cause: Management overbudgeted water revenues.

Effect: Noncompliance with local budget law.

Recommendation: Management should monitor budget and actual figures and amend as necessary.

2019-004. Violation of Article VII, Section 14

Condition: A board member's bill was calculated incorrectly.

Criteria: Article VII, Section 14 states in part "funds, credit, property, or things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

Cause: The utility billing system is not charging the correct amount per approved billing rates.

Effect: Violation of Article VII, Section 14.

Recommendation: Management should review its utility billing system with software consultants to determine where the system is at fault.

2019-005. Failing to comply with surplus property disposition laws

Condition: Board did not take bids on sale of tractor.

Criteria: LA revised statutes states surplus property should be disposed of to the highest bidder.

Cause: Board did not take bids for sale of tractor.

Effect: Violation of surplus property law.

Recommendation: Management should dispose of all surplus property according to LA revised statute.

Greater Ward One Waterworks District
of Lincoln Parish
Summary of Prior Year Findings
For the Year Ended December 31, 2019

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2018-1. Significant deficiency in internal control over financial reporting

Status: Unresolved - see 2019-1

2018-2. Lack of segregation of duties

Status: Unresolved - see 2019-2

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

Management's Responses to Findings

- 2019-001. Management will continue to assess the cost effectiveness of this deficiency in internal control and monitor checks and balances.
- 2019-002. Management will continue to assess the cost effectiveness of this deficiency in internal control and monitor checks and balances.
- 2019-003. Management will monitor the budget versus actual and amend as necessary.
- 2019-004. Management will consult with the software company about how the accounts are being billed.
- 2019-005. Management will adhere to the surplus property law in the future.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Greater Ward One Waterworks District and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Greater Ward One Waterworks District (Entity) 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, 2019 through December 31, 2019. The Entity'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, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain 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):¹
 - 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.
 - 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

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

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 (e.g., 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**², 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.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and address the functions noted above. The Entity is not in compliance with budgeting, purchasing, disbursements, receipts/collections, contracting, credit cards, travel, debt, and disaster recovery/business continuity.

Board or Finance Committee³

Not applicable.

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

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 accounts⁴ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained a listing of bank accounts for the fiscal period and management's representation that the listing is complete.

- 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);

No exceptions.

- 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 is no evidence to show that the bank statements were reviewed by anyone else.

- 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.

There is no documentation showing reconciling items were researched.

Collections (excluding EFTs)⁵

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

Obtained a listing of deposit sites and the corresponding collection locations and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of

⁴ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

⁵ The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtain a listing of collection locations and management's representation that the listing is complete.

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

No exceptions.

- 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.

No exceptions.

- 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.

No exceptions.

- 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.

No exceptions.

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

No exceptions.

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

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

The Entity does not use pre-numbered receipts.

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

No exceptions.

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

No exceptions.

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

No exceptions.

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

No exceptions.

Non-Payroll Disbursements (excluding 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).

Obtained a listing of locations that process payments and management's 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 employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of all employees involved with non-payroll purchasing and payments functions and observed that:

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

No exceptions.

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

No exceptions.

- 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.

No one periodically reviews changes that are made to vendor files.

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

Employee who processes the payments also mails the checks but only after a second signature from the President.

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

Obtained the entity's non-payroll disbursement transaction population and obtained management's representation that the population is complete

- a) Observe that the disbursement matched the related original invoice/billing statement.
No exceptions.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
None of the 5 disbursements included evidence of segregation of duties.

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 cards⁶. Obtain management's representation that the listing is complete.

Obtained listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) and management's representation that the listing is complete

- 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:

Selected the cards, then randomly selected one month as the ending statement date for each card.

- 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 (or electronically approved), 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.]]

No evidence that statements were reviewed or approved by anyone other than the cardholder.

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

No exceptions.

- 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)⁷. For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny

⁶ Including credit cards used by school staff for either school operations or student activity fund operations.

⁷ For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

Obtained supporting documentation for at least 10 transactions, or all of them if less than 10 transactions.

For each transaction, observe that it is supported by:

- (1) an original itemized receipt that identifies precisely what was purchased,

No exceptions.

- (2) written documentation of the business/public purpose, and

Observed documentation of business/public purpose for 2 of the 4 transactions.

- (3) documentation of the individuals participating in meals (for meal charges only).

Not applicable.

Travel and Travel-Related Expense Reimbursements⁸ (excluding card transactions)

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:

The entity have only 1 travel related reimbursement for the fiscal period.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions.

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

One of the two items reimbursed was supported by an original itemized receipt.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Business purpose is stated on the reimbursement but individuals participating were not named.

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

⁸ Non-travel reimbursements are not required to be tested under this category.

There was no evidence reimbursements were reviewed and approved by a person other than the person who wrote the check.

Contracts

No prior year exceptions.

Payroll and Personnel

No prior year exceptions.

Ethics⁹

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above¹⁰, obtain ethics documentation from management, and:

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

No employees completed one hour of ethics training.

- 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.

No exceptions

Debt Service¹¹

No prior year exceptions.

Other

No prior year exceptions.

⁹ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

¹⁰ If “payroll and personnel” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

¹¹ This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

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.

Wade Perry
Ruston, LA

February 25, 2020

Greater Ward One Waterworks District
PO Drawer 637
Ruston, LA 71273

February 25, 2020

Wade & Perry, CPAs
Ruston, LA

The following is Management's Response to the 2019 AUP report submitted for Greater Ward One Waterworks District.

WRITTEN POLICIES AND PROCEDURES

1. a) Budgeting
 - b) Purchasing
 - c) Disbursements
 - d) Receipts
 - f) Contracting
 - g) Credit cards
 - h) Travel and expense reimbursement
 - j) Debt Service
 - k) Disaster recovery/business continuity
- Management will work toward documenting policy.

BANK RECONCILIATIONS

3. b) Management will work toward showing evidence of bank reconciliations being reviewed and signed off.
- c) Management will work toward having reconciling items researched.

COLLECTIONS

7. a) Management will work toward issuing sequentially pre-numbered receipts.

DISBURSEMENTS

9. c) Management will work toward implementing periodic reviews of vendor files.
10. b) Management will work toward implementing checks and balances for this procedure.

CREDIT CARDS/DEBIT CARDS, ETC.

12. a) Management will work toward documenting approval of monthly statements.
13. (2) Management will work toward documenting business/public purpose.

TRAVEL

14. b) Management will work toward documenting a reimbursement policy.
- c) Management will work toward documenting business/public purpose and who is participating.
- d) Management will work toward documenting approval.

ETHICS

20. Management will work toward implementing ethics training.