

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Financial Statements
For the Years Ended August 31, 2018 and 2017

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

TABLE OF CONTENTS

| | Page |
|---|------|
| Independent Auditors' Report ----- | 1 |
| <u>Required Supplementary Information (Part A)</u> | |
| Management's Discussion and Analysis (Unaudited) ----- | 5 |
| <u>Basic Financial Statements</u> | |
| Statements of Net Position ----- | 12 |
| Statements of Revenues, Expenses and Changes in Net Position ----- | 14 |
| Statements of Cash Flows ----- | 16 |
| Notes to Financial Statements ----- | 18 |
| <u>Required Supplementary Information (Part B)</u> | |
| Schedule 1 – Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited) ----- | 40 |
| Schedule 2 - Schedule of Employer's Proportionate Share of Net Pension Liability (Unaudited) ----- | 41 |
| Schedule 3 – Schedule of Employer Contributions to Pension Plans (Unaudited) ----- | 42 |
| <u>Other Information</u> | |
| Schedule 4 - Schedule of Changes in Restricted Assets ----- | 44 |
| Schedule 5 - Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer ----- | 45 |
| Schedule 6 - Schedule of Insurance Coverage (Unaudited) ----- | 46 |
| <u>Report Required By Government Auditing Standards</u> | |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ----- | 48 |
| Schedule of Findings ----- | 50 |
| Summary Status of Prior Year Findings----- | 52 |

INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 2018 and 2017 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

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 qualified opinion on 2018 and unmodified opinion on 2017.

Basis for Qualified Opinion on 2018

We were unable to determine the adequacy of the District's internal controls over the billing and collecting company for sewerage fees in the 2018 financial statements. Further, the billing and collecting company used a different data base in providing monthly ending balances and beginning balances than was used in the detailed billing information which resulted in a lack of reliable financial data being available for audit. Such information was not obtainable by other means which resulted in us being unable to determine the effect of the company's internal controls over this significant audit area and on the balances reflected for the District's accounts receivable, sewer revenues, and bad debts. It should be noted that the District transferred all of its billing and collecting function from this company to a new and local company as of May 25, 2018.

Qualified Opinion on 2018 and Unmodified Opinion on 2017

In our opinion, except for the possible effects on the 2018 financial statements of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of August 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 16 to the financial statements, the District adopted Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions, which resulted in a cumulative effect of change as of September 1, 2017 due to a change in accounting principle in the amount of \$137,728 to the net position for business-type activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information (Part A and Part B)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10, Schedule of Change in Total OPEB Liability and Other Related Ratios on page 40; the Schedule of Employer's Proportionate Share of Net Pension Liability on page 41; and the Schedule of Employer Contributions to Pension Plans on page 42 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

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

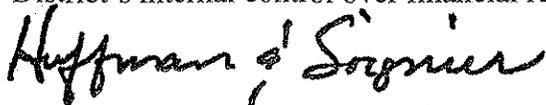
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as Other Supplemental Information, Schedules 4, 5, and 6 in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Restricted Assets – Schedule 4, and the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer – Schedule 5, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information referred to in the first sentence of this paragraph is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Insurance Coverage – Schedule 6 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



**(A Professional Accounting Corporation)
September 12, 2019**

REQUIRED SUPPLEMENTARY INFORMATION (PART A)

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

As management of West Ouachita Sewerage District No. 5 (A Component Unit of the Ouachita Parish Police Jury) (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's activities for the years ended August 31, 2018 and 2017. Please read it in conjunction with the District's financial statements.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using the Governmental Accounting Standards Board's (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Position. This statement measures the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its customer charges and other revenue sources. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operating, noncapital financing, capital financing, and investing activities and to provide answers to such questions as "Where did cash come from?," "What was cash used for?," and "What was the change in cash balance during the reporting period?"

A summary of the District's Statements of Net Position is presented as follows:

Table 1

Condensed Statements of Net Assets
as of August 31, 2018 and 2017

| | 2018 | 2017 | % Change |
|--|----------------------|----------------------|----------------|
| Assets: | | | |
| Current and other assets | \$ 7,685,586 | \$ 6,053,389 | 26.96% |
| Restricted assets | 723,465 | 578,640 | 25.03% |
| Capital assets, net of depreciation | 14,966,054 | 14,082,743 | 6.27% |
| Total assets | <u>23,375,105</u> | <u>20,714,772</u> | <u>12.84%</u> |
| Deferred outflows of resources | <u>95,196</u> | <u>168,266</u> | <u>-43.43%</u> |
| Liabilities: | | | |
| Current liabilities | 678,581 | 958,163 | -29.18% |
| Current liabilities payable from restricted assets | 298,314 | 292,191 | 2.10% |
| Noncurrent liabilities | 1,884,400 | 2,269,569 | -16.97% |
| Total liabilities | <u>2,861,295</u> | <u>3,519,923</u> | <u>-18.71%</u> |
| Deferred inflows of resources | <u>173,049</u> | <u>38,605</u> | <u>348.26%</u> |
| Net Position: | | | |
| Net investment in capital assets | 13,136,554 | 12,131,243 | 8.29% |
| Restricted net position - debt service | 475,518 | 383,857 | 23.88% |
| Unrestricted net position | 6,823,885 | 4,809,410 | 41.89% |
| Total net position | <u>\$ 20,435,957</u> | <u>\$ 17,324,510</u> | <u>17.96%</u> |

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

Investment in capital assets represents the District's long-term investment in capital assets, net of accumulated depreciation, and is not available for current operations.

The total net position of the District at August 31, 2018 was \$20,435,957. Net position can be separated into three categories: Net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets of \$13,136,554 consists of capital assets at original cost of \$33,135,669 less depreciation of \$18,169,615 and related debt of \$1,829,500. Accumulated depreciation of \$18,169,615 is the aggregate depreciation expense since acquisition. Depreciation expense is recorded on the original cost of the asset expensed over the estimated useful life of the asset.

A summary of changes in net position is presented below:

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended

| | <u>2018</u> | <u>2017</u> | <u>% Change</u> |
|-------------------------------------|---------------------|---------------------|-----------------|
| Operating income | \$ 6,336,575 | \$ 5,524,117 | 14.71% |
| Operating expenses | <u>3,703,126</u> | <u>4,464,532</u> | <u>-17.05%</u> |
| Operating income (loss) | 2,633,449 | 1,059,585 | 148.54% |
| Non-operating income and expense | 340,270 | 1,910,188 | -82.19% |
| Capital contributions - developers | <u>-</u> | <u>39,900</u> | <u>-100.00%</u> |
| Increase (decrease) in net position | \$ <u>2,973,719</u> | \$ <u>3,009,673</u> | <u>-1.19%</u> |

In fiscal year 2018, sewerage fees increased significantly due to a rate increase implemented during the middle of 2017 year and expansion of the district.

In 2018, the District's expenses decreased by \$761,000 primarily to decreases in bad debts (\$319,000) maintenance and repairs (\$165,000), treatment plant fees (\$157,000) and professional fees (\$50,000) incurred for various maintenance needed within the District.

Nonoperating income and expense decreased by \$1,570,000 largely due to the expected decrease in cost reimbursements from the Department of Transportation and Development for the Arkansas Road relocation project. The District is reimbursed 92.41% of the estimated costs of \$1,800,000 associated with this project with most of the costs being incurred during fiscal year 2017.

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2018 and 2017, the District had \$33,135,669 and \$31,414,528, respectively, invested in capital assets including buildings and improvements, furniture and fixtures, equipment, vehicles, infrastructure, and land, less accumulated depreciation of \$18,169,615 and \$17,331,785 as of August 31, 2018 and 2017, respectively (See table below).

Table 3
West Ouachita Sewer District No. 5's Capital Assets

| | August 31, | |
|----------------------------|---------------|---------------|
| | 2018 | 2017 |
| Buildings and improvements | \$ 416,636 | \$ 410,650 |
| Furniture and fixtures | 10,858 | 10,858 |
| Equipment | 573,221 | 573,221 |
| Vehicles | 296,624 | 307,210 |
| Infrastructure | 27,995,785 | 26,678,688 |
| Construction in progress | 3,344,467 | 2,999,023 |
| Land | 498,078 | 434,878 |
| Total | 33,135,669 | 31,414,528 |
| Accumulated depreciation | (18,169,615) | (17,331,785) |
| Net capital assets | \$ 14,966,054 | \$ 14,082,743 |

Major additions to capital assets for fiscal year 2018 consisted primarily of ongoing construction for the relocation of sewer lines, mains, and manholes associated with the Arkansas Road Widening Project; expansion of the system into the Greenfield/Chloe, Steep Bayou, West Park subdivisions, and other subdivisions; and major renovation of the Diamond P Lift Station. The Greenfield/Chloe subdivision and Diamond P Lift Station was placed into operation during 2018.

Debt

As of August 31, 2018 and 2017, the District's outstanding long-term debt of \$1,794,558 and \$2,391,569, respectively, consisted of the following:

Table 4
West Ouachita Sewer District No. 5's Outstanding Debt

| | August 31, | |
|---------------------------|--------------|--------------|
| | 2018 | 2017 |
| Bonds payable | \$ 1,380,000 | \$ 1,472,000 |
| Due to other governments | 449,500 | 479,500 |
| OPEB liability | 177,900 | 299,969 |
| Pension (asset) liability | (52,842) | 140,100 |
| | \$ 1,954,558 | \$ 2,391,569 |

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District contracts with Greater Ouachita Water Company (GOWC) to bill and collect monthly sewer fees.

Monthly revenues collected by the District are used for operation and maintenance activities as well as the elimination of package sewer treatment plants within the District and to increase the capacity of the District's sewer collection and transport system to deliver domestic wastewater to the West Monroe Regional Wastewater Treatment Facility and the Sparta Recovery Treatment Facility.

The District entered into a contract in December, 2016 for the relocation and adjustment of sewer collection lines and force mains along Arkansas Road (LA 616) which is being widened and reconstructed by the Louisiana Department of Transportation and Development. The total cost of this construction contract is expected to be \$2,172,289 of which the District expects to receive reimbursement of approximately \$2,007,413. The project is substantially complete and the full amount of anticipated reimbursement should be received during fiscal year 2020.

To date the District has eliminated four package sewer treatment plants and two oxidation lagoon treatment facilities. The District has four package sewer treatment plants remaining within the current boundaries of WOSD No. 5 and is actively working on plans to eliminate these remaining package sewer treatment plants.

On June 21, 2019 the District closed on a LDEQ Clean Water Revolving Loan Fund loan of \$7,710,750 for construction of eight projects to increase capacity of the District's collection and transportation system to deliver domestic wastewater to the West Monroe Regional Wastewater Treatment Facility and Sparta Water Recovery Facility.

The projects to be constructed with the LDEQ-CWRLF Loan which have been awarded to the lowest bidder are as follows:

001) Construct a new 24" gravity sewer line from Lift Station "P-1" along Steep Bayou to I-20. Connect Lift Station "I" on the north side of I-20 to the new gravity main. Connect existing package sewer treatment plant serving Parkwood II Subdivision, Units 7 & 8 to the new gravity main. Construct a new sewer Lift Station "P-1" on New Natchitoches Road (LA 838). The lowest bid was \$2,308,809.

002) Construct a new 24" sewer force main from the KCS Railroad to New Natchitoches Road (Lift Station "N" force main segment to replace a deteriorated section of existing ductile iron force main).

L & A, Inc. Project No. 15E040.00 bid on April 30, 2019.

The lowest bid was \$757,848.

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

003) Construct a section of Lift Station "P-1" force main from Lift Station "P-1" to the intersection of Washington Street and Smith Street. This force main will be 18" diameter PVC C-900 pipe.

L & A, Inc. Project No. 17E035.00 bid on May 8, 2019.

The lowest bid was \$1,127,668.

004) Construct a section of 18" diameter PVC C-900 force main from the intersection of Washington Street and Smith Street to Lift Station "S-1".

L & A, Inc. Project No. 17E036.00 bid on June 19, 2019.

The lowest bid was \$943,987.

005) Construct Lift Station "S-1" on Evergreen Street near Tulip Street.

L & A, Inc. Project No. 17E036.02 bid on August 1, 2019.

The lowest bid was \$945,849.

Other projects to be constructed with the LDEQ-CWRLF Loan which have not yet been awarded are as follows:

006) Construct a section of 20" diameter PVC C-900 force main from Lift Station "S-1" to the Ouachita River Flood Protection Levee.

L & A, Inc. Project No. 17E036.01 (To be bid in October 2019)

Estimated Cost of \$1,215,000.

007) Construct a new 24" C-900 PVC force main to replace an 18" existing segment of ductile iron force main from Lift Station "Y" on Linwell Street. This segment of force main extends from the Ouachita River Flood Protection Levee to the meter station on the levee of the West Monroe Regional Wastewater Treatment Plant along with the construction of a 20" C-900 force main extending the Lift Station "S-1" force main from the Ouachita River Flood Protection Levee to the back flow preventer on the levee of the West Monroe Regional Wastewater Treatment Plant.

L & A, Inc. Project No. 15E041.01 (To be bid in November 2019)

Estimated Cost \$800,000.

008) Construct a new 24" C-900 PVC sewer force main from New Natchitoches Road to Edward Road along Washington Street. This is the last segment of the Lift Station "N" force main consisting of 18" ductile iron to be replaced.

L & A, Inc. Project No. 15E040.01 (To be bid in December 2019)

Estimated Cost of \$600,000.

West Ouachita Sewerage District No. 5
(A Component Unit of the Ouachita Parish Police Jury)

Management's Discussion and Analysis
For the Years Ended August 31, 2018 and 2017
(Unaudited)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact Ricky McMullen, District Manager of the West Ouachita Sewerage District No. 5, 327 Wallace Road, West Monroe, Louisiana.

BASIC FINANCIAL STATEMENTS

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF NET POSITION

| | August 31, | |
|--|--------------|--------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,666,095 | \$ 3,720,935 |
| Accounts receivable - customers (Net of allowance for bad debts of \$222,036 & \$614,537 for 2018 and 2017, respectively) | 795,598 | 664,972 |
| Due from third party collector | 403,098 | 425,723 |
| Due from other governments | 697,793 | 1,147,227 |
| Inventory | 113,911 | 86,460 |
| Prepaid insurance | 9,091 | 8,072 |
| Total current assets | 7,685,586 | 6,053,389 |
| Noncurrent assets: | | |
| Restricted assets | | |
| Cash and cash equivalents - customer deposits | 188,931 | 188,742 |
| Cash and cash equivalents - debt service | 481,692 | 389,898 |
| Net pension asset | 52,842 | - |
| Capital assets | | |
| Buildings and improvements | 416,636 | 410,650 |
| Furniture and fixtures | 10,858 | 10,858 |
| Equipment | 573,221 | 573,221 |
| Vehicles | 296,624 | 307,210 |
| Lines, mains and manholes | 19,850,247 | 18,838,790 |
| Lift station - pumps | 1,983,260 | 1,980,675 |
| Lift station - structures | 2,443,763 | 2,401,370 |
| Treatment plant | 2,353,573 | 2,353,573 |
| Treatment plant - Sparta water reuse project | 1,364,942 | 1,104,280 |
| Total | 29,293,124 | 27,980,627 |
| Less: Accumulated depreciation | (18,169,615) | (17,331,785) |
| Net depreciable assets | 11,123,509 | 10,648,842 |
| Construction in progress | 3,344,467 | 2,999,023 |
| Land | 498,078 | 434,878 |
| Total capital assets | 14,966,054 | 14,082,743 |
| Total noncurrent assets | 15,689,519 | 14,661,383 |
| Total assets | 23,375,105 | 20,714,772 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Charges on Pensions | 95,196 | 168,266 |

The accompanying notes are an integral part of these financial statements.

| | August 31, | |
|--|----------------------|----------------------|
| | 2018 | 2017 |
| LIABILITIES | | |
| Current liabilities: | | |
| Payable from current assets: | | |
| Accounts and retainage payable | \$ 637,245 | \$ 918,243 |
| Accrued payroll and benefits | 11,336 | 9,920 |
| Due to other governments - current | 30,000 | 30,000 |
| Total payable from current assets | <u>678,581</u> | <u>958,163</u> |
| Payable from restricted assets: | | |
| Customer deposits | 199,140 | 194,150 |
| Bonds payable / current | 93,000 | 92,000 |
| Accrued interest payable | 6,174 | 6,041 |
| Total payable from restricted assets | <u>298,314</u> | <u>292,191</u> |
| Total current liabilities | <u>976,895</u> | <u>1,250,354</u> |
| Noncurrent liabilities: | | |
| Bonds payable (Note 5) | 1,287,000 | 1,380,000 |
| Due to other governments - long term | 419,500 | 449,500 |
| Net pension liability | - | 140,100 |
| Other post employment benefits payable | 177,900 | 299,969 |
| Total noncurrent liabilities | <u>1,884,400</u> | <u>2,269,569</u> |
| Total liabilities | <u>2,861,295</u> | <u>3,519,923</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows on pensions | 172,201 | 38,605 |
| Deferred inflows on other post-employment benefits | 848 | - |
| Total deferred inflows of resources | <u>173,049</u> | <u>38,605</u> |
| NET POSITION | | |
| Net investment in capital assets | 13,136,554 | 12,131,243 |
| Restricted net position - debt service | 475,518 | 383,857 |
| Unrestricted net position | <u>6,823,885</u> | <u>4,809,410</u> |
| Total net position | <u>\$ 20,435,957</u> | <u>\$ 17,324,510</u> |

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED

| | August 31, | |
|--|--------------|--------------|
| | 2018 | 2017 |
| OPERATING REVENUES | | |
| Sewerage fees | \$ 6,262,413 | \$ 5,440,125 |
| Inspection fees | 17,550 | 49,150 |
| New connection fees | 1,200 | 3,600 |
| Miscellaneous | 55,412 | 31,242 |
| Total operating revenues | 6,336,575 | 5,524,117 |
| OPERATING EXPENSES | | |
| Advertising | 634 | 1,297 |
| Bad debt expense | 213,637 | 532,911 |
| Collection expense | 112,877 | 96,621 |
| Commissioners' fees | 2,100 | 2,100 |
| Depreciation and Amortization (Note 4) | 856,747 | 822,276 |
| Dues and subscriptions | 2,045 | 1,354 |
| Gas and oil | 26,559 | 18,575 |
| Insurance | 160,995 | 212,568 |
| Maintenance and repairs | 222,226 | 387,582 |
| Miscellaneous | 9,889 | 10,200 |
| Office expense | 10,780 | 19,836 |
| Payroll taxes | 5,094 | 7,641 |
| Pension and retirement | 49,279 | 87,632 |
| Postage | 1,289 | 1,599 |
| Professional fees | 166,589 | 217,189 |
| Salaries and wages | 378,499 | 401,957 |
| Telephone | 9,194 | 10,917 |
| Travel | 398 | - |
| Treatment plant operations | 1,304,007 | 1,460,993 |
| Utilities | 170,288 | 171,284 |
| Total operating expenses | 3,703,126 | 4,464,532 |
| Operating income (loss) | 2,633,449 | 1,059,585 |

The accompanying notes are an integral part of these financial statements.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (CONCLUDED)
FOR THE YEARS ENDED

| | August 31, | |
|---|----------------------|----------------------|
| | 2018 | 2017 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Capital grants - federal | 278,652 | 1,613,762 |
| Capital grants - state | 43,228 | 250,335 |
| Operating grants - state | - | 36,950 |
| Interest earned | 5,331 | 4,644 |
| Franchise fees | 30,050 | 24,365 |
| Gain on sale of assets | 1,101 | - |
| Interest expense | (18,092) | (19,868) |
| Total Non-operating income | <u>340,270</u> | <u>1,910,188</u> |
| Income (loss) before contributions | 2,973,719 | 2,969,773 |
| Capital contributions - developers | - | <u>39,900</u> |
| Changes in net position | 2,973,719 | 3,009,673 |
| Net position at beginning of year, as originally reported | <u>17,324,510</u> | <u>14,314,837</u> |
| Restatement (Note 16) | 137,728 | - |
| Net position at beginning of year, restated | <u>17,462,238</u> | <u>14,314,837</u> |
| Net position at end of year | <u>\$ 20,435,957</u> | <u>\$ 17,324,510</u> |

WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

| | August 31, | |
|---|--------------|--------------|
| | 2018 | 2017 |
| Cash flows from operating activities | | |
| Receipts from customers | \$ 5,956,116 | \$ 4,722,635 |
| Other revenue | 55,412 | 31,242 |
| Payment to suppliers | (2,507,238) | (2,056,126) |
| Payment for employee services | (403,325) | (479,059) |
| Net cash provided by operating activities | 3,100,965 | 2,218,692 |
| Cash flows from noncapital financing activities | | |
| Franchise fee | 30,050 | 24,365 |
| Net cash provided by noncapital financing activities | 30,050 | 24,365 |
| Cash flows from capital and related financing activities | | |
| Purchase of capital assets | (1,740,059) | (3,564,898) |
| Cash received from sale of assets | 9,501 | - |
| Cash received from capital and operating grants | 771,314 | 753,820 |
| Capital contributions from developers | - | 39,900 |
| Principal paid on bonds | (122,000) | (120,500) |
| Interest paid on bonds | (17,959) | (21,582) |
| Net cash used by capital and related financing activities | (1,099,203) | (2,913,260) |
| Cash flows from investing activities | | |
| Interest received | 5,331 | 4,644 |
| Net cash provided by investing activities | 5,331 | 4,644 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,037,143 | (665,559) |
| Cash and Cash Equivalents at Beginning of Year | 4,299,575 | 4,965,134 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 6,336,718 | \$ 4,299,575 |

The accompanying notes are an integral part of these financial statements.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED**

| | August 31, | |
|---|--------------|--------------|
| | 2,018 | 2017 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 2,633,449 | \$ 1,059,585 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 856,747 | 822,276 |
| Bad debts | 213,637 | 532,911 |
| Accounts receivable and due from third party collector | (330,037) | (777,015) |
| Inventories | (27,451) | 6,228 |
| Prepaid insurance | (1,019) | (1,712) |
| Accounts and retainage payable | (280,998) | 494,774 |
| Accrued payroll and benefits | 1,416 | 703 |
| Other post employment benefits | 16,507 | 54,599 |
| Pension liability adjustments | 13,724 | 19,568 |
| Customer deposits | 4,990 | 6,775 |
| Net cash provided by operating activities | \$ 3,100,965 | \$ 2,218,692 |
| Cash and cash equivalents on the balance sheet as | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,666,095 | \$ 3,720,935 |
| Restricted assets | | |
| Cash and cash equivalents | 670,623 | 578,640 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 6,336,718 | \$ 4,299,575 |
| Supplemental Disclosure of Noncash Operating Activities | | |
| Other post-employment benefits | \$ 15,659 | \$ 54,599 |
| Pensions | \$ (192,942) | \$ (22,194) |

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies

A. History

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury, through adoption of Ordinance No. 7386, and therefore it is a component unit of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District, all of which are appointed by the Police Jury.

B. Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*, establishes criteria for determining which component units of governments should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners of the District and has the ability to impose its will upon the District, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Basis of Accounting

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net position, a statement of activities, and a statement of cash flows. It also requires the classification of net position into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of those assets.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Restricted net position – This component of net position consists of the net position on which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of the net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District’s financial statements are prepared in accordance with accounting principles accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The financial statements of the District are a *Business-Type Activity* and are financed in whole or in part by fees charged to external parties for goods and services.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

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

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. The District also recognizes as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Services are billed as follows:

1. Residential, multi-housing, and multi-unit services are charged \$45 per month.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Commercial service was charged \$4.50 per 1,000 gallons of water per month (metered water usage - \$45 minimum bill)
3. Institutional billing is based on monthly water use at \$45 per 8,000 gallons used.
4. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

The District provided services to 9,295 residential customers and 433 institutional and industrial customers at August 31, 2018.

D. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of receivables that are expected to be unrecoverable. Losses are charged against the allowance when management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2018 and 2017, the allowance for doubtful accounts was \$222,036 and \$614,537, respectively.

The District estimates their unbilled revenues to reflect the weekly billing cycles. As such, 50% of the subsequent month's billings are recognized as revenues for the previous month.

E. Inventory

Inventory consists primarily of pump motors and is valued at estimated recoverable cost as determined by specific identification method. Other materials and supplies needed for maintenance and operations are included in inventory and are valued at lower of cost or market using first in, first out, basis.

F. Property and Equipment

Upon completion of new subdivisions, developers donate their systems to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution.

The District considers assets with an individual cost of \$2,000 or more and an estimated useful life of one year or more a capital asset. Property and equipment are recorded at their historical cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

| | |
|--|-------------|
| Buildings and Improvements | 15-40 Years |
| Lift Station Structures | 40 Years |
| Gravity Lines, Force Mains, and Manholes | 40 Years |
| Equipment | 3-20 Years |
| Lift Station Pumps | 10 Years |
| Vehicles | 5 Years |
| Furniture and Fixtures | 3-15 Years |

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

G. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Compensated Absences

The District's policy for paid vacation, which is non-cumulative, is as follows:

| | |
|------------------------|------------------|
| Employment 1 – 3 years | 1 week per year |
| 4 – 9 years | 2 weeks per year |
| 10 – 19 years | 3 weeks per year |
| After 20 years | 4 weeks per year |

Employees accrue sick leave as follows:

| | |
|-------------------------------|------------------|
| Employment less than 6 months | 0 days per year |
| 6 months – 1 year | 4 days per year |
| 1 – 3 years | 8 days per year |
| After 3 years | 12 days per year |

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. Employees are compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be reasonably estimated.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Minor reclassifications have been made to prior year financial statements to make them comparable to the current year's presentation.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Note 2 - Cash and Investments

Under state law, the District may invest funds in demand deposits, interest bearing demand deposits, or in time deposits with state banks organized under Louisiana law or any other state and under the laws of the United States. At August 31, 2018, the District has cash and cash equivalents totaling \$6,336,718 with \$6,336,623 in demand deposits and \$95 in petty cash.

Custodial credit risk - deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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 pledged securities plus the federal deposit insurance must at all times equal the amount on deposits with the fiscal agent. These securities are held in the name of the pledging fiscal agent in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents at August 31, 2018 are secured as follows:

| | | | |
|---------------------------|--|----|-------------------------|
| Bank balances | | \$ | <u>6,341,003</u> |
| Federal deposit insurance | | \$ | 500,000 |
| Pledged securities | | | <u>5,841,003</u> |
| Total | | \$ | <u><u>6,341,003</u></u> |

Note 3 - Accounts Receivable and Due From Other Governments

Accounts receivable consists of the following for the years ended:

| | | August 31, | |
|------------------------------------|----|-----------------------|--------------------------|
| | | 2018 | 2017 |
| Receivables billed to customers | \$ | 757,634 | \$ 1,043,938 |
| Unbilled revenues | | <u>260,000</u> | <u>235,571</u> |
| Gross accounts receivable | | 1,017,634 | 1,279,509 |
| Less: allowance for uncollectibles | | <u>(222,036)</u> | <u>(614,537)</u> |
| Net total receivables | \$ | <u><u>795,598</u></u> | \$ <u><u>664,972</u></u> |

Due from a third-party collector consists of \$403,098 and \$425,723 at August 31, 2018 and August 31, 2017, respectively.

Due from other government consists of \$697,793 and \$1,147,227 at August 31, 2018 and 2017, respectively. This balance is due from the Louisiana Department of Transportation and Development (LDTD) and is for the relocation costs of sewer lines associated with the LDTD four lane expansion of Arkansas Road. The Federal government is covering 80.00% of the costs and the State of Louisiana is covering an additional 12.41%. The remaining 7.59% is being covered by the District.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Note 4 - Changes in Capital Assets

The changes in capital assets are as follows:

| | Balance 9/1/2017 | Additions | Deletions/ Transfers | Balance 8/31/2018 |
|-------------------------------|----------------------|---------------------|-------------------------|----------------------|
| Nondepreciable assets: | | | | |
| Land | 434,878 | 63,200 | - | 498,078 |
| Construction In Progress | \$ 2,999,023 | \$ 1,399,293 | \$ (1,053,849) | \$ 3,344,467 |
| Total Nondepreciable Assets | <u>3,433,901</u> | <u>1,462,493</u> | <u>(1,053,849)</u> | <u>3,842,545</u> |
| Depreciable Assets: | | | | |
| Buildings and Improvements | 410,650 | 5,986 | - | 416,636 |
| Furniture and Fixtures | 10,858 | - | - | 10,858 |
| Equipment | 573,221 | - | - | 573,221 |
| Vehicles | 307,210 | - | (10,586) | 296,624 |
| Lines, Mains, Manholes | 18,838,790 | 1,011,457 | - | 19,850,247 |
| Lift Station Pumps | 1,980,675 | 10,916 | (8,331) | 1,983,260 |
| Lift Station Structures | 2,401,370 | 42,393 | - | 2,443,763 |
| Treatment Plant | 2,353,573 | - | - | 2,353,573 |
| Treatment Plant - Sparta | 1,104,280 | 260,662 | - | 1,364,942 |
| Total Depreciable Assets | <u>27,980,627</u> | <u>1,331,414</u> | <u>(18,917)</u> | <u>29,293,124</u> |
| Less Accumulated Depreciation | <u>(17,331,785)</u> | <u>(856,747)</u> | <u>18,917</u> | <u>(18,169,615)</u> |
| Net Capital Assets | <u>\$ 14,082,743</u> | <u>\$ 2,793,907</u> | <u>\$ (1,053,849)</u> | <u>\$ 14,966,054</u> |

| | Balance 9/1/2016 | Additions | Deletions/ Transfers | Balance 8/31/2017 |
|-------------------------------|----------------------|---------------------|-------------------------|----------------------|
| Nondepreciable assets: | | | | |
| Land | 434,878 | - | - | 434,878 |
| Construction In Progress | \$ 193,805 | \$ 3,349,059 | \$ (543,841) | \$ 2,999,023 |
| Total Nondepreciable Assets | <u>628,683</u> | <u>3,349,059</u> | <u>(543,841)</u> | <u>3,433,901</u> |
| Depreciable Assets: | | | | |
| Buildings and Improvements | 410,650 | - | - | 410,650 |
| Furniture and Fixtures | 10,858 | - | - | 10,858 |
| Equipment | 533,781 | 61,107 | (21,667) | 573,221 |
| Vehicles | 291,353 | 55,342 | (39,485) | 307,210 |
| Lines, Mains, Manholes | 18,296,849 | 541,941 | - | 18,838,790 |
| Lift Station Pumps | 1,927,961 | 52,714 | - | 1,980,675 |
| Lift Station Structures | 2,352,794 | 48,576 | - | 2,401,370 |
| Treatment Plant | 2,353,573 | - | - | 2,353,573 |
| Treatment Plant - Sparta | 1,104,280 | - | - | 1,104,280 |
| Total Depreciable Assets | <u>27,282,099</u> | <u>759,680</u> | <u>(61,152)</u> | <u>27,980,627</u> |
| Less Accumulated Depreciation | <u>(16,570,660)</u> | <u>(822,276)</u> | <u>61,151</u> | <u>(17,331,785)</u> |
| Net Capital Assets | <u>\$ 11,340,122</u> | <u>\$ 3,286,463</u> | <u>\$ (543,842)</u> | <u>\$ 14,082,743</u> |

Depreciation of \$856,747 and \$822,276 was expensed for 2018 and 2017, respectively.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Note 5 - Long-Term Obligations

The following is a summary of long-term obligation transactions for the years ended August 31, 2018 and 2017:

| Long-term Obligations | Balance August 31, 2017 | Additions | Deductions | Balance August 31, 2018 | Amounts Due Within One Year |
|--|-------------------------------|------------------|---------------------|-------------------------------|--------------------------------------|
| Bonds payable | \$ 1,472,000 | \$ - | \$ (92,000) | \$ 1,380,000 | \$ 93,000 |
| Due to other governments (see Note 7) | 479,500 | - | (30,000) | 449,500 | 30,000 |
| OPEB (restated) | 162,241 | 15,659 | - | 177,900 | - |
| Pensions | 140,100 | - | (192,942) | (52,842) | - |
| Total | <u>\$ 2,253,841</u> | <u>\$ 15,659</u> | <u>\$ (314,942)</u> | <u>\$ 1,954,558</u> | <u>\$ 123,000</u> |

| Long-term Obligations | Balance August 31, 2016 | Additions | Deductions | Balance August 31, 2017 | Amounts Due Within One Year |
|--|-------------------------------|------------------|---------------------|-------------------------------|--------------------------------------|
| Bonds payable | \$ 1,563,000 | \$ - | (\$ 91,000) | \$ 1,472,000 | \$ 92,000 |
| Due to other governments (see Note 7) | 509,000 | - | (29,500) | 479,500 | 30,000 |
| OPEB | 245,370 | 54,599 | - | 299,969 | - |
| Pensions | 162,294 | 35,454 | (57,648) | 140,100 | - |
| Total | <u>\$ 2,479,664</u> | <u>\$ 90,053</u> | <u>(\$ 178,148)</u> | <u>\$ 2,391,569</u> | <u>\$ 122,000</u> |

The Other Post-Employment Benefits ending balance of \$299,969 at August 31, 2017 is before the implementation of GASB 75 which was implemented in fiscal year 2018 which resulted in the ending August 31, 2017 balance of \$299,969 being restated to \$162,241.

Bonds Payable

In November 2011, the District issued \$1,918,000 Department of Environmental Quality (DEQ) Sewer Revenue Bonds Series 2011. These bonds are payable over 20 years with interest at the rate of .45% per annum and an administrative fee of .50% per annum.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Both principal and interest are due in total, to maturity, as follows:

| Year Ending August 31, 2018 | Principal Payments | Interest Payments | Total |
|--------------------------------|-----------------------|----------------------|--------------|
| 2019 | \$ 93,000 | \$ 12,668 | \$ 105,668 |
| 2020 | 93,000 | 11,785 | 104,785 |
| 2021 | 94,000 | 10,897 | 104,897 |
| 2022 | 95,000 | 9,999 | 104,999 |
| 2023 | 96,000 | 9,092 | 105,092 |
| 2024-2028 | 495,000 | 31,516 | 526,516 |
| 2029-2032 | 414,000 | 7,914 | 421,914 |
| Total | \$ 1,380,000 | \$ 93,870 | \$ 1,473,870 |

The DEQ loan agreement provides for the establishment of the following bank accounts:

“Sewer Revenue Bond Debt Service Fund” - The Series 2011 DEQ Revenue Bonds require the establishment of a “Sewer Revenue Bond Debt Service Fund,” whereby monthly transfers will be made into the account on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of August 31, 2018, the balance in the Sewer Revenue Bond Debt Service Fund was \$108,575.

“Sewer Revenue Bond Debt Service Reserve Fund” - The agreement for the Series 2011 DEQ bond provides that at least 20% of the reserve fund requirement be transferred into the reserve fund each bond year, so that the reserve fund is fully funded no later than five years after the delivery date. As of August 31, 2018, the balance in the Sewer Revenue Bond Debt Service Reserve Fund was \$53,271.

“Depreciation and Contingency Fund” - The agreement for the 2011 DEQ bond provides that, on or before the 20th day of each month of each year, a sum equal to five (5%) of the preceding month’s Net Revenues shall be transferred to this account, provided that such sum is available. Payments in this fund shall continue until such time as \$500,000 has accumulated in this fund, whereby such payments may cease and need be resumed only if the total amount of money on deposit is reduced below \$500,000. As of August 31, 2018, the balance in the Depreciation and Contingency Fund was \$319,846.

Note 6 - Long-Term Leases

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contained a renewal option for one additional 15 year term, which was renewed on August 1, 2009. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The treatment plant operations cost to the District was \$1,304,007 and \$1,460,993 for the years ended August 31, 2018 and 2017, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease. The District

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

did not incur any capital upgrading costs for the years ended August 31, 2018 and 2017. The cumulative cost of capital upgrading includes a long-term liability to the City of West Monroe as described in Note 7.

Note 7 – Joint Agreement with City of West Monroe on Upgrading Treatment Facility

In fiscal year 2012, the District participated in a capital project with the City of West Monroe to upgrade the quality and quantity of wastewater effluent from the West Monroe/West Ouachita Sewerage District No. 5 Regional Wastewater Treatment Facility. The City financed a portion of the project by means of a \$1,250,000 loan from the Department of Environmental Quality (DEQ) State Revolving Fund Loan Program. The loan is payable over 20 years with an interest rate of .45% and an administrative fee of .50%. The financing arrangement for the project calls for the District to share in 50% repayment of the loan as payments are incurred. The District's total principal obligation to the City consists of 20 principal payments totaling \$625,000 and interest and administrative fees of .45% and .50%, respectively. Both principal and interest are due in total, to maturity, as follows:

| Year Ending August 31, 2018 | Principal Payments | Interest Payments | Total |
|--------------------------------|-----------------------|----------------------|------------|
| 2019 | \$ 30,000 | \$ 4,128 | \$ 34,128 |
| 2020 | 30,500 | 3,840 | 34,340 |
| 2021 | 31,000 | 3,548 | 34,548 |
| 2022 | 31,000 | 3,254 | 34,254 |
| 2023 | 31,500 | 2,957 | 34,457 |
| 2024-2028 | 161,000 | 10,266 | 171,266 |
| 2029-2032 | 134,500 | 2,574 | 137,074 |
| Total | \$ 449,500 | \$ 30,567 | \$ 480,067 |

Note 8 - Parochial Employees' Retirement System of Louisiana

Plan Description

Parochial Employees' Retirement System of Louisiana (the System or PERS) is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S. 11:1901 of the Louisiana Revised Statute (LRS). Substantially all employees of the District participate in Plan A of the System.

Benefits Provided

Employees hired prior to January 1, 2007 who retire at or after age 65 with a minimum of seven (7) years of service, at or after age 60 with 10 years of service, at or after age 55 with 25 years of service, or with 30 years of service regardless of age are entitled to a retirement benefit.

Employees who were hired after January 1, 2007 who retire at age 67 with 7 years of experience, age 62 with 10 years of experience or age 55 with 30 years of experience are entitled to a retirement benefit.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Generally, the monthly amount of the retirement allowance shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

1. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married no less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

2. Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

3. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977 (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year period from September 1, 2017 to December 31, 2017 and for the period from January 1, 2018 to August 31, 2018, the actuarially determined contribution rates were 9.35% and 9.99%, respectively, of member's compensation for Plan A. However, the actual rates for those periods were 12.50% and 11.50%, respectively. Contributions to the pension plan from the District were \$44,268 for the year ended August 31, 2018.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the Employer reported an asset of \$52,842 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2017 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was 0.071192%, which was an increase of 0.003166% from its proportion measured as of December 31, 2016.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

For the year ended August 31, 2018, the District recognized pension expense of \$66,669 plus the District's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions of (\$56,540).

At August 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 34,206 |
| Changes in assumptions | 66,694 | - |
| Net difference between projected and actual earnings on pension plan | - | 122,080 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,199 | 12,387 |
| Employer contributions subsequent to the measurement date | 27,303 | - |
| Total | \$ 95,196 | \$ 168,673 |

The \$27,303 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended August 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending August 31:

| | |
|------|-------------|
| 2019 | \$ 1,475 |
| 2020 | \$ (11,804) |
| 2021 | \$ (42,060) |
| 2022 | \$ (48,391) |

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018, the valuation date, are as follows:

| | |
|---|--|
| Actuarial cost method | Entry Age Normal |
| Expected remaining service lives | 4 years |
| Investment rate of return | 6.75% net of investment expenses |
| Projected salary increases | 5.25% (2.75% Merit/2.50% Inflation) |
| Cost-of-living adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present value do not include provisions for potential future increase not yet authorized by the Board of Trustees. |
| Mortality | RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. |

The discount rate used to measure the total pension liability was 6.75% for Plan A. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from participating employers and non-employer contributing entities will be made at actuarially determined contribution rates and, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------|--|
| Fixed Income | 35% | 1.24% |
| Equity | 52% | 3.57% |
| Alternatives | 11% | 0.69% |
| Real Assets | 2% | 0.12% |
| | | |
| Inflation | | 2.00% |
| Expected Arithmetic Nominal Return | | 7.62% |

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward 2 years for males and 1 year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Employer's proportionate share of the Net Pension Obligation would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

| | 1.0 % Decrease (5.75%) | Current Discount Rate (6.75%) | 1.0% Increase (7.75%) |
|---|---------------------------|----------------------------------|--------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$ 260,530 | \$ (52,842) | \$ (331,879) |

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended August 31,

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

2018, the District recognized revenue as a result of support received from non-employer contributing entities of \$5,593 for its participation in PERS.

Payables to the Pension Plan

At August 31, 2018, the District had \$5,607 and \$4,632 payable to the pension plan for employer and member contributions, respectively. The payable is based on the legally required contributions by the District and members and is derived from the payroll period ended August 31, 2018.

Note 9 - Other Postemployment Benefits Plan

Plan Description. The District participates in a group defined health retirement plan ("the Plan"), authorized by Louisiana Revised Statute, which is administered by the Office of Group Benefits. The plan provides medical, dental, and vision insurance benefits to eligible retirees. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The premium rates are established and may be amended by the Ouachita Parish Police Jury.

Employees covered by benefit terms. At September 1, 2017, the following employees were covered by the benefit terms:

| | |
|---|----------|
| Inactive employees currently receiving benefits payments | 0 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | <u>9</u> |
| Total | <u>9</u> |

Total OPEB Liability

The District's total OPEB liability of \$177,900 was measured as of August 31, 2018 and was determined by an actuarial valuation as of September 1, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|---------------------------------------|--|
| Inflation | 2.40% |
| Salary increases, including inflation | 2.50% |
| Discount rate | 3.69% |
| Health care cost trend rates | The expected rate of increase in health insurance premiums was based on the Society of Actuaries' Getzen Model (updated for 2019). A rate of 7.75% initially, reduced to an ultimate rate of 3.94% after 57 years, was used. |

The discount rate was based on the 8-31-2018 Fidelity General Obligation AA 20-Year Yield. Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table for

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

males or females, as appropriate, with generational adjustments for mortality improvement based on Scale MP-2018.

The actuarial assumptions used in the August 31, 2018 valuation were based on those used in the Parochial Employees' Retirement System of Louisiana valuation and actuarial experience.

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|--|--------------------------|
| Balance at August 31, 2017 | \$ <u>162,241</u> |
| Changes for the year: | |
| Service cost | 10,282 |
| Interest | 6,366 |
| Differences between expected and actual experience | (989) |
| Changes in assumptions / inputs | - |
| Change in benefit terms | - |
| Benefit payments | - |
| Administrative expense | - |
| Net changes | <u>15,659</u> |
| Balance at August 31, 2018 | \$ <u><u>177,900</u></u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) and one percentage point higher (4.69%) than the current discount rate (3.69%).

| | 1% Decrease 2.69% | Discount Rate 3.69% | 1% Increase 4.69% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB liability | \$ <u>231,148</u> | \$ <u>177,900</u> | \$ <u>193,547</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current healthcare cost trend rates.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|----------------------|-------------------|--------------------|-------------------|
| Total OPEB liability | \$ <u>182,015</u> | \$ <u>177,900</u> | \$ <u>248,173</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended August 31, 2018, the District recognized OPEB expense of \$16,507. At August 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 848 |
| Changes of assumptions | - | - |
| Total | \$ - | \$ 848 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount |
|---------------------|------------|
| 2019 | \$ (\$141) |
| 2020 | (\$141) |
| 2021 | (\$141) |
| 2022 | (\$141) |
| 2023 | (\$141) |
| 2024 | (\$141) |

Note 10 - Commissioners' Fees

The members of the Board of Commissioners are paid \$60 per regular meeting and \$25 per special meeting. Commissioners are paid at year-end for the meetings that were attended during the year. Amounts due to board members for meetings attended during the year ended August 31, 2018 were as follows:

| Commissioner | Regular Meetings | Special Meetings | Compensation |
|---------------------------------|---------------------|---------------------|--------------|
| Fred Hall - President | 11 | 0 | \$ 660 |
| Ralph Owens - Vice President | 12 | 0 | 720 |
| Don Leach - Secretary/Treasurer | 12 | 0 | 720 |
| Total | | | \$ 2,100 |

Note 11 - Franchise Fee

The District entered into a franchise agreement dating back to 1992 with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$30,050 and \$24,365 for the years ended August 31, 2018 and 2017, respectively.

Note 12 - Related Party Transactions

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation, and group health insurance policies through the Ouachita Parish Police Jury (the Police Jury). During 2018 and 2017 the District paid the Police Jury \$145,507 and \$157,969, respectively, for this coverage.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Note 13- Risk Financing Activities Transactions

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage, and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate general liability coverage of \$3,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had \$6,251,126 and \$5,583,961 in net position as of December 31, 2018 and 2017, respectively. The District contributed \$70,059 and \$67,580 into the fund during the years ended August 31, 2018 and 2017, respectively.

Note 14- Concentrations of Risk

Accounts receivable primarily represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$30 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect approximately \$795,598 after applying the security deposits of \$199,140.

Note 15- Litigation

The District is a defendant in certain litigation. It is the opinion of management and legal counsel for the District that the ultimate resolution of this litigation will not materially affect the financial statements.

Note 16- Prior Period Adjustment – New Accounting Standard

The District adopted Government Accounting Standards Board (GASB) Statement Number 75 - *Accounting and Financial Reporting/or Postemployment Benefits Other than Pensions*. The net effect to the District's Statement of Net Position for the prior year that resulted from the adoption of GASB 75 is as follows:

| | |
|--|---------------|
| Net position, August 31, 2017, as previously stated | \$ 17,324,510 |
| Reverse other post-employment benefit obligation, 08-31-2017 | 299,969 |
| Record other post-employment benefit obligation, 08-31-2017 | (162,241) |
| Net effect | 137,728 |
| Net position, August 31, 2017, restated | \$ 17,462,238 |

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

Note 17– Subsequent Events

The District has evaluated subsequent events through September 12, 2019, the date which the financial statements were available for issue and noted the following events occurring subsequent to the reporting period requiring disclosure:

On October 9, 2018, the board of commissioners accepted a \$115,254 bid for the improvement of the Linwell Lift Station force main.

On March 11, 2019, the board of commissioners obtained a \$7,710,750 loan titled “Proposed Wastewater Collection System Improvements Program for WOSD No. 5 Expansion using LDEQ Clean Water Revolving Loan Funds”. These funds will be used in the construction for eight projects.

On April 9, 2019, the board of commissioners awarded a \$2,308,809 bid for the construction of the Steep Bayou Gravity Sewer Main and Lift Station “P-1”.

On May 13, 2019, the board of commissioners awarded a \$757,848 bid for the improvement of the Lift Station “N” Force Main Replacement from the Kansas City Southern Railway to New Natchitoches Road. The board of commissioners also awarded a \$1,127,668 bid for the Lift Station “P-1” Force Main, Section 1 from Lift Station “P-1” to the intersection of Washington Street and Smith Street.

On July 8, 2019, the board of commissioners awarded a \$943,987 bid for the upgrading for more capacity at the Lift Station “P-1” force main (Section 2) from Washington Street to Lift Station “S-1” on Evergreen Street.

On August 12, 2019, the board of commissioners awarded a \$945,849 bid for the upgrading of more capacity of the Lift Station “S-1”.

Note 18– Current Accounting Standards Scheduled to be Implemented

The following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the District's financial report:

GASB Statement 83, *Certain Asset Retirement Obligations (ARO)*. This standard establishes criteria for determining the timing and pattern of recognition of an ARO liability and a corresponding deferred outflow of resources. An ARO is a legally enforceable liability associated with the sale, recycling, retirement, abandonment or disposal in some other manner of a tangible capital asset permanently removed from service. The standard is effective for annual reporting periods beginning after June 15, 2018. The District will include the requirements of this standard, as applicable, in its August 31, 2019 financial statement. The effect of this standard or its applicability to the District are unknown at this time.

West Ouachita Sewerage District No. 5

Notes To Financial Statements August 31, 2018 and 2017

GASB Statement 84. *Fiduciary Activities*. This standard defines and establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria is on (1) whether the District controls the assets in a fiduciary activity and (2) there are separate identifiable beneficiaries with whom a fiduciary relationship exists. The standard is effective for annual reporting periods beginning after December 15, 2018. The District will include the requirements of this standard, as applicable, in its August 31, 2020 financial statement. The effect of this standard or its applicability to the District are unknown at this time.

GASB Statement 87. *Leases*. This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of leased assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. This standard is effective for annual reporting periods beginning after December 15, 2019. The District will include the requirements of this standard, as applicable, in its August 31, 2021 financial statements. All of the District's lease agreements, if any, will need to be evaluated to determine the impact of implementing this standard, however, the effect of this standard or its applicability to the District are unknown at this time.

GASB Statement 88. *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This standard is effective for annual reporting periods beginning after June 15, 2018. The District will include the requirements of this standard, as applicable, in its August 31, 2019 financial statement. The effect of this standard or its applicability to the District are unknown at this time.

GASB Statement 89. *Accounting for Interest Cost Incurred before the End of a Construction Period*.

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District will include the requirements of this standard, as applicable, in its August 31, 2021 financial statement. The effect of this standard or its applicability to the District are unknown at this time.

GASB Statement 90. *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability by of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not believe it will be impacted by this statement.

West Ouachita Sewerage District No. 5

Notes To Financial Statements

August 31, 2018 and 2017

GASB Statement 91. *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District does not believe it will be impacted by this statement.

REQUIRED SUPPLEMENTARY INFORMATION (PART B)

WEST OUACHITA SEWERAGE DISTRICT NO. 5
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED AUGUST 31, 2018
(Unaudited)

Total OPEB Liability

| | | |
|--|----|---------|
| Service cost | \$ | 10,282 |
| Interest | | 6,366 |
| Changes of benefit terms | | - |
| Differences between expected and actual experience | | (989) |
| Changes of assumptions or other inputs | | - |
| Changes in benefit terms | | - |
| Benefit payments | | - |
| Administrative expense | | - |
| Net change in total OPEB liability | | 15,659 |
| | | |
| Total OPEB liability - beginning | | 162,241 |
| | | |
| Total OPEB liability - ending | \$ | 177,900 |
| | | |
| Covered-employee payroll | \$ | 331,690 |
| | | |
| Total OPEB liability as a percentage of covered-employee payroll | | 53.63% |

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of benefit terms. There were no changes of benefit terms for the year ended August 31, 2018.

Changes of assumptions and other inputs. The effects of changes in the discount rate is reflected in each period. The following discount rate was used in the following periods:

| | |
|------|-------|
| 2018 | 3.69% |
|------|-------|

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2018
(Unaudited)

| Plan Year Ended | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability (asset) | Employer's covered payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-----------------------|---|--|----------------------------------|--|--|
|-----------------------|---|--|----------------------------------|--|--|

Parochial Employees' Retirement System

| | | | | | |
|------|-----------|-------------|------------|--------|-------|
| 2017 | 0.071192% | \$ (52,842) | \$ 397,024 | -13.3% | 98.1% |
| 2016 | 0.068026% | \$ 140,100 | \$ 317,095 | 44.2% | 98.1% |
| 2015 | 0.061655% | \$ 162,294 | \$ 280,466 | 57.9% | 92.2% |
| 2014 | 0.061672% | \$ 16,862 | \$ 300,643 | 5.6% | 99.2% |

*Amounts presented were determined as of the measurement date (plan year ended December 31).

*This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE PENSION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018
(Unaudited)

| <u>Year</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractually Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Contributions as a % of Covered Employee Payroll</u> |
|--|--|---|---|--|---|
| <u>Parochial Employees Retirement System of Louisiana</u> | | | | | |
| 2018 | \$ 44,268 | \$ 44,268 | \$ - | \$ 373,139 | 11.9% |
| 2017 | \$ 52,053 | \$ 52,053 | \$ - | \$ 410,981 | 12.7% |
| 2016 | \$ 37,072 | \$ 37,072 | \$ - | \$ 273,014 | 13.6% |
| 2015 | \$ 41,789 | \$ 41,789 | \$ - | \$ 277,602 | 15.1% |

Amounts presented were determined as of the end of the fiscal year (August 31)

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended August 31, 2018

Changes of Benefit Terms include:

There were no changes in benefit terms for the year ended August 31, 2018

Changes of Assumptions

The investment rate of return decreased from 7.00% to 6.75% for the valuation year ended December 31, 2017.

The investment rate of return decreased from 7.25% to 7.00% and projected salary increases decreased from 5.75% to 5.25% for the valuation year ended December 31, 2014.

OTHER INFORMATION

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULES OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED AUGUST 31,

| | 2018 | | | | |
|------------------------------------|----------------------|------------------------------------|-------------------------|------------------------------------|-------------------|
| | Customer Deposits | Bond and Interest Redemption | Revenue Bond Reserve | Depreciation and Contingency | Total |
| Balance - September 1, 2017 | \$ 188,742 | \$ 100,705 | \$ 53,217 | \$ 235,976 | \$ 578,640 |
| Add: | | | | | |
| Transfers/adjustments | - | 106,800 | - | 83,600 | 190,400 |
| Interest earned | 189 | 62 | 54 | 270 | 575 |
| Total funds available | <u>188,931</u> | <u>207,567</u> | <u>53,271</u> | <u>319,846</u> | <u>769,615</u> |
| Less: | | | | | |
| Principal and interest payment | <u>-</u> | <u>(98,992)</u> | <u>-</u> | <u>-</u> | <u>(98,992)</u> |
| BALANCE - AUGUST 31, 2018 | <u>\$ 188,931</u> | <u>\$ 108,575</u> | <u>\$ 53,271</u> | <u>\$ 319,846</u> | <u>\$ 670,623</u> |

| | 2017 | | | | |
|------------------------------------|----------------------|------------------------------------|-------------------------|------------------------------------|-------------------|
| | Customer Deposits | Bond and Interest Redemption | Revenue Bond Reserve | Depreciation and Contingency | Total |
| Balance - September 1, 2016 | \$ 187,375 | \$ 92,274 | \$ 53,164 | \$ 177,311 | \$ 510,124 |
| Add: | | | | | |
| Transfers/adjustments | 1,178 | 106,800 | - | 58,462 | 166,440 |
| Interest earned | 189 | 55 | 53 | 203 | 500 |
| Total funds available | <u>188,742</u> | <u>199,129</u> | <u>53,217</u> | <u>235,976</u> | <u>677,064</u> |
| Less: | | | | | |
| Principal and interest payment | <u>-</u> | <u>(98,424)</u> | <u>-</u> | <u>-</u> | <u>(98,424)</u> |
| BALANCE - AUGUST 31, 2017 | <u>\$ 188,742</u> | <u>\$ 100,705</u> | <u>\$ 53,217</u> | <u>\$ 235,976</u> | <u>\$ 578,640</u> |

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED AUGUST 31, 2018**

**Agency Head Name: Terry Cox, District Manager
September 1, 2017 to January 31, 2018**

| Purpose | Amount |
|--------------------------------|---------------|
| Salary | \$31,444 |
| Benefits-retirement | \$ 3,871 |
| Benefits-insurance | \$ 4,973 |
| Vehicle provided by government | \$ 284 |

**Agency Head Name: Ricky McMullen, District Manager
February 1, 2018 to August 31, 2018**

| Purpose | Amount |
|--------------------------------|---------------|
| Salary | \$35,726 |
| Benefits-retirement | \$ 4,108 |
| Benefits-insurance | \$ 5,634 |
| Benefits-basic life insurance | \$ 37 |
| Vehicle provided by government | \$ 428 |

WEST OUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 2018
(Unaudited)

| Property or Risk and Insurance Company | Insurance Type and Term | Maximum Coverage | |
|---|---|---|---|
| Employees Safety National Casualty Corporation | 1/1/18 to 1/1/19 | Statutory | * |
| Multi-Peril Traveler's Indemnity Company | Comprehensive General Liability 1/1/18 to 1/1/19 | \$3,000,000 - Aggregate \$1,000,000 - Per Occurrence | * |
| Vehicles Atlantic Specialty Insurance Company | Auto Liability 1/1/18 to 1/1/19 | Combined Single Limit \$1,000,000 | * |
| 3 Commissioners and All Employees Atlantic Specialty Insurance Company | Fidelity Bond 1/1/18 to 1/1/19 | \$100,000 Per Occurrence \$1,000 Deductible | * |

This schedule, prepared from the policies, is intended only as a descriptive summary.

* Policy is covering the Ouachita Parish Police Jury, which includes West Ouachita Sewerage District No. 5.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West Ouachita Sewerage District No. 5 (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 12, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness (Finding 2018-001).

Compliance and Other Matters

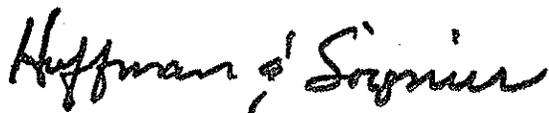
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2018-002.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



(A Professional Accounting Corporation)

September 12, 2019

West Ouachita Sewerage District No. 5

Schedule of Findings For the Year Ended August 31, 2018

2018-001 Review of Reports Received from the Billing and Collecting Company

(First reported in 2016)

Criteria or Specific Requirement

According to the Committee of Sponsoring Organizations of the Treadway Commission Report (COSO), internal controls should be designed and operating to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. Internal controls should be designed to provide accurate financial information to management in a timely manner to allow for decision making. Programs must be managed by knowledgeable individuals to ensure compliance with program requirements.

Conditions Found

During our audit of sewer revenues and customer accounts receivable, we noted that monthly billing and collecting registers received from the external billing company utilized by the District did not reflect accurate data. In four of the nine months that this company was used by the District, the end-of-month balance was lower than the beginning balance of the new month totaling \$479,590, and in one of the months the end-of-month balance was higher than the new month by \$178,463 for a net difference of \$301,127. Therefore, the District's accounting records included these errors resulting in inaccurate reporting of receivables and the allowance for uncollectible accounts.

The contract with the original billing and collecting company was terminated effective May 25, 2018. After the change for the last three months of the fiscal year, the reporting was significantly improved.

It should be noted that the District's sewer billings are combined with another utility company that provides water. The District did not have any significant influence over the hiring of the billing and collecting company.

Cause

The billing and collecting company for the first nine months of the year used a different data base to provide monthly ending balances than was used in the detailed billing information which resulted in a lack of reliable financial data being available for audit.

Effect

Problems in reporting of the subsidiary accounts receivable ledger which reflects the billing and collecting by customer have resulted in the District having to recognize significant bad debt expenses in the current year and in the prior year, although bad debt expense did decrease to \$213,637 (3.41% of sewerage fees) in 2018 as compared to \$532,911 (9.80% of sewerage fees) in 2017. Additionally, such information could also lead to inaccurate reporting in the accounting records which could result in a decision being made that might not otherwise be made.

Recommendations to Prevent Future Occurrences

The District appears to have done all that it could in addressing the situation described above. The District has already changed to a new billing and collecting company at the end of May 2018. We recommend that the District continue to monitor and reconcile the reports received from the billing and collecting company.

West Ouachita Sewerage District No. 5

**Schedule of Findings
For the Year Ended August 31, 2018**

Management's Response

We will continue our periodic review of the information that we receive from our billing and collecting company and will continue to work with our outside CPA to ensure that the information we receive is accurate.

2018-002 Timely Filing of Audit Report

(First reported in 2016)

Criteria or Specific Requirement

Louisiana Revised Statute 24:513 requires that the District prepare and submit its annual audited financial statements to the Louisiana Legislative Auditor within six months of the District's fiscal year.

Conditions Found

The District was not able to submit its audited financial statements within the six-month time frame as required by state law regarding financial reporting.

Cause

Audit procedures were delayed due to untimely responses from the contracted billing company with respect to the issues mentioned in Finding 2018-001 above. This matter resulted in delayed auditing procedures, many of which could not be performed until after February 28, 2019, which was the deadline for filing the audited financial statements.

Effect

The District is in non-compliance with Louisiana Revised Statute 24:513 et. seq. regarding financial reporting.

Recommendations to Prevent Future Occurrences

We recommend that management obtain sufficient information to allow for future audits to be submitted to the Legislative Auditor within six months of the end of the fiscal year end.

Management's Response

As mentioned in Finding 2018-001, the District has changed its billing and collecting company during May of 2018. We have been receiving information on a timely basis from the new company which should negate this finding in the August 31, 2019 fiscal year.

West Ouachita Sewerage District No. 5

Summary Status of Prior Year Findings For the Year Ended August 31, 2018

The following is a summary of the status of the prior year finding included in Huffman & Soignier's (APAC) audit report dated April 18, 2018 of West Ouachita Sewerage District No. 5 as of and for the year ended August 31, 2017.

2017-001 Regular Review of Reports Received from the Billing Company

Finding: The District received erroneous billing information from its external billing company resulting in overcharges and undercharges for certain individual residential and commercial customers on a month-to-month basis.

Status: This issue remains unresolved. See Finding 2018-001.

2017-002 Timely Filing of Audit Report

Finding: Due to complications associated with a merger with West Ouachita Sewerage District No. 16 and the billing problems mentioned above, the District did not file audited financial statements with the Louisiana Legislative Auditor by the prescribed deadline.

Status: The report related to this finding was filed. However, current-year report was not filed in a timely manner. See Finding 2018-002.

2017-003 Payroll Records

Finding: The District's control processes and procedures were insufficient to properly track and record time and attendance, accrued vacation and sick leave, and vacation and sick leave used.

Status: Resolved

2017-004 Maintenance of the General Ledger and Monthly Financial Reporting

Finding: Over the course of our audit, eighteen adjusting journal entries were required to be posted to the District's general ledger. In particular, entries were made to reclassify \$716,870 of federal revenues that had been improperly posted to construction in progress, \$153,567 of capital expenditures that were improperly recorded as professional fees, and \$196,624 of repairs and maintenance expenses that were improperly recorded as capital expenditures. Furthermore, we found that the Board of Commissioners reviews financial and budgetary information on a quarterly basis.

Status: Resolved

STATEWIDE AGREED UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the West Ouachita Sewerage District No. 5 (a component of Ouachita Parish Police Jury) (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2017, through August 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, 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):
 - 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 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)

- e) procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- f) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- g) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- h) **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)
- i) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- j) **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.
- k) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

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.
 - 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.
 - 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.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

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 reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - 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
 - 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.

Results: Five exceptions were noted related to procedure 3.b) as the bank reconciliations, for the five accounts tested, were not initialed as being reviewed.

Management's Response:

The District has an outside CPA that reviews our monthly work and reconciles our bank accounts. At the time, we believed that we were fulfilling our obligations in regards to this procedure. Since we have become aware of our need to review this work, we have been doing so.

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).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - 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.
 - 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.

- 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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 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.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: Two exceptions noted related to attribute 7.a) as there were no receipts for the collections. One exception noted related to attribute 7.b) as one collection did not have supporting documentation. Two exceptions noted related to procedure 7.d) as one collection did not have supporting documentation, so the date of receipt is unknown, and another deposit consisting of five collections was deposited after one business day. A collection for \$4,950.00 was not noted as to the date received; a collection for \$24,151.95 was deposited 13 days after it was received; a collection for \$150.00 was deposited 12 days after it was received; a collection for \$710.48 was deposited 11 days after it was received; and a collection for \$0.17 was deposited 3 days after it was received.

Management's Response:

We will work to ensure that the exceptions noted will be eliminated in the future.

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).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: With respect to 9c and 9d, the District does have one employee that both prepares checks and can add / modify the vendor files in QuickBooks and is the same employee that mails the checks. However, this employee cannot sign checks nor does he reconcile the monthly bank statements. The monthly bank statements are reconciled by an outside CPA firm on behalf of the District and management is now reviewing those reconciliations. The outside CPA firm also prepares monthly financial statements for review by management at the District's monthly meetings. Finally, the number of vendors for the District is very limited and a new vendor is noticeable to the check signers. Each check presented for signature is accompanied by a supporting invoice for review by the check signers. Each check is required to have two signatures, one of which is always a board member. Given the mitigating controls for non-payroll disbursements, the District is satisfying the requirements of these two procedures.

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.
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.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, 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).

Results: Two exceptions noted related to procedure 12.a) as a card holder approved two of his own statements.

Management's Response:

We have initiated a procedure where the manager's credit card is reviewed by one of the board members.

Travel and Travel-Related Expense Reimbursements (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:
 - 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).

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- 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).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

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 fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: This section is exempt because there were not any prior year exceptions.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - 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.

Results: Three exceptions were noted related to procedure 20.b) as some of the employees and officials selected did not sign that they had read the District's ethics policy during the fiscal year.

Management's Response:

We will ensure that all employees and officials sign that he has read the District's ethics policy during the year.

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.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: This section was exempt because there were not any prior year exceptions.

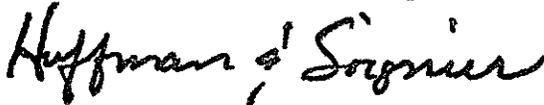
Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
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.

Results: No exceptions were noted as a result of applying agreed-upon procedures.

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.



(A Professional Accounting Corporation)
Monroe, Louisiana

September 12, 2018