

Varnado Waterworks District  
Washington Parish Council  
Varnado, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2017  
With Supplemental Information Schedules  
(with 2016 summarized comparative information)

*Minda B. Raybourn*

Certified Public Accountant  
Limited Liability Company  
820 11<sup>th</sup> Avenue  
Franklinton, Louisiana 70438  
(985) 839-4413  
Fax (985) 839-4402

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**With Supplemental Information Schedules**  
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Member  
AICPA

Member  
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, LA

I have audited the accompanying financial statements of the business-type activities of the Varnado Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In my opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the business-type activities, of the Varnado Waterworks District, as of December 31, 2017, and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Varnado Waterworks District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and was 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 by us and other auditors. In my opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of compensation, benefits, and other payments to the agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance, schedule of compensation paid to the Board of Commissioners, and schedule of water rates and number of water customers is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

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

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 28, 2018, on my consideration of the Varnado Waterworks District's internal control over financial reporting and on my testes 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not 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 *Governmental Auditing Standards* in considering Varnado Waterworks District's internal control over financial reporting and compliance.

*Minda Raybourn*

Franklinton, LA

June 28, 2018

# Required Supplemental Information Management's Discussion and Analysis

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2017 (with 2016 summarized comparative information)

#### Introduction

The Varnado Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards as more fully described in the financial statement footnotes as *Footnote 1 - Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation.”*

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

#### Financial Highlights

At December 31, 2017, total assets were \$6,614,093, and exceeded liabilities in the amount of \$3,245,099 (i.e., net position). Of the total net position, \$709,455 was unrestricted and available to support short-term operations, with a \$2,184,961 balance invested in capital assets, net of related debt and \$350,683 in restricted net position for capital activity and debt service.

For the year ended December 31, 2017, user fee revenues (water sales) decreased to \$773,007 as compared to \$774,191 for the fiscal year ending December 31, 2016.

The District's operating expenses, other than depreciation expense, increased by approximately 22 percent or \$132,395 from the prior fiscal year. Bad debts increased \$9,263, employee benefits increased \$11,357, permits increased \$11,271, repairs and maintenance increased \$37,710, and salaries and wages increased \$35,927. Depreciation expense increased by \$3,212.

Total long term debt decreased by principal payments of \$90,917. Interest payments of \$135,100 were made. Total long term debt was \$3,235,915 at December 31, 2017, and \$3,326,832 at December 31, 2016.

## **Varnado Waterworks District**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2017 (with 2016 summarized comparative information)**

#### **Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Varnado Waterworks District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, account for the revenues and expenses for the fiscal year and provide information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances, and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

#### **Financial Analysis**

The purpose of financial analysis is to help determine whether Varnado Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, is presented below in a condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2017 (with 2016 summarized comparative information)

#### Condensed Statements of Net Position 2017 and 2016

	2017	2016	Dollar Change	Percentage Change
Assets:				
Current and Other Assets	\$ 1,193,217	\$ 1,177,160	\$ 16,057	1%
Capital Assets	5,420,876	5,627,319	(206,443)	-4%
Total Assets	6,614,093	6,804,479	(190,386)	-3%
Liabilities:				
Long-Term Debt Outstanding	3,235,915	3,326,832	(90,917)	-3%
Other Liabilities	133,079	136,256	(3,177)	-2%
Total Liabilities	3,368,994	3,463,088	(94,094)	-3%
Net Position:				
Investment in Capital Assets	2,184,961	2,295,193	(110,232)	-5%
Restricted for Capital Activity and Debt Service	350,683	349,644	1,039	0%
Unrestricted	709,455	696,554	12,901	2%
Total Net Position	\$ 3,245,099	\$ 3,341,391	\$ (96,292)	-3%

“Current and Other Assets” increased by \$16,057 or one percent, resulting primarily from a \$73,639 decrease in cash and cash equivalents and a decrease in investments of \$75,971 with an offset of \$1,920 increase in net accounts receivable and a \$10,001 increase in intergovernmental receivable.

Capital Assets decreased by approximately four percent or \$206,443 as a result of the following activity:

- 1) Improvements to the William Lewis Well, which added \$35,000 to Capital Assets,
- 2) Purchase of tools and a new computer totaling \$2,365,
- 3) Net increase to Accumulated Depreciation of \$243,807; current year depreciation was the same.

Total Long Term Debt decreased \$90,917 due to principal payments.

Other Liabilities decreased three percent or \$3,177 primarily due a decrease in accounts payable of \$6,508 with an offset increase of \$2,683 in customer deposits.

**Varnado Waterworks District**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2017  
(with 2016 summarized comparative information)**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position  
2017 and 2016**

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 982,253	\$ 914,682	\$ 67,571	7%
Nonoperating Revenues	23,361	3,959	19,402	490%
Total Revenues	<u>1,005,614</u>	<u>918,641</u>	<u>86,973</u>	9%
Expenses:				
Depreciation Expense	243,807	240,595	3,212	1%
Other Operating Expense	722,999	590,604	132,395	22%
Nonoperating Expense	135,100	138,818	(3,718)	-3%
Total Expenses	<u>1,101,906</u>	<u>970,017</u>	<u>131,889</u>	14%
Changes in Net Position	<u>(96,292)</u>	<u>(51,376)</u>	<u>(44,916)</u>	87%
Beginning Net Position	<u>3,341,391</u>	<u>3,392,767</u>	<u>(51,376)</u>	-2%
Ending Net Position	<u>\$ 3,245,099</u>	<u>\$ 3,341,391</u>	<u>\$ (96,292)</u>	-3%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Varnado Waterworks District is being conservatively managed.

Total operating revenues (including water sales and revenues related to providing water and related services to customers) increased by seven percent or \$67,571, with increases in all accounts except water sales and other revenue. Billing fees from Bogue Lusa Waterworks District and Washington Parish Gas District Number One increased \$66,551. Non-operating Revenues increased by \$19,402 due primarily to the increase in interest income of \$1,338 and an increase of \$18,064 in other revenues.

Total operating expenses, other than depreciation and amortization expense, increased by approximately twenty two percent or \$132,395 from the prior fiscal year. Bad debts increased \$9,263, employee benefits increased \$11,357, permits increased \$11,271, repairs and maintenance increased \$37,710, and salaries and wages increased \$35,927. Non-operating expenses decreased by approximately three percent or \$3,718 due mainly to a decrease in interest expense.

**Varnado Waterworks District**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2017  
(with 2016 summarized comparative information)**

**Budgetary Highlights**

Varnado Waterworks District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule," as supplementary information, following the footnotes to the financial statements.

**Budget vs. Actual - Fiscal Year ended December 31, 2017**

	<b>Budget Year ended December 31, 2017</b>	<b>Actual Year ended December 31, 2017</b>	<b>Favorable (Unfavorable) Variance</b>
Revenues:			
Operating Revenues	\$ 933,550	\$ 982,253	\$ 48,703
Nonoperating Revenues	4,500	23,361	18,861
Total Revenues	<u>938,050</u>	<u>1,005,614</u>	<u>67,564</u>
Expenses:			
Depreciation Expense	245,000	243,807	(1,193)
Other Operating Expense	699,850	722,999	23,149
Nonoperating Expense	142,500	135,100	(7,400)
Total Expenses	<u>1,087,350</u>	<u>1,101,906</u>	<u>14,556</u>
Income (Loss) Before Contributions	<u>(149,300)</u>	<u>(96,292)</u>	53,008
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>\$ (149,300)</u>	<u>\$ (96,292)</u>	<u>\$ 53,008</u>

**Varnado Waterworks District**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2017  
(with 2016 summarized comparative information)**

**Other Significant Trends and Account Changes**

Included within this section is first, a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

**General Operating Data**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,669	1,657	12
Commercial	22	22	-
Schools	6	6	-
Prison	1	1	-
Total Customers	<u>1,698</u>	<u>1,686</u>	<u>12</u>

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2017 and 2016.

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 66,264	\$ 68,891	\$ (2,627)
31-60 Days Past Due	3,938	4,800	(862)
61-90 Days Past Due	1,591	2,525	(934)
Over 90 Days Past Due	1,220	2,573	(1,353)
Subtotal	<u>73,013</u>	<u>78,789</u>	<u>(5,776)</u>
Allowance for Uncollectible Accounts	<u>(4,780)</u>	<u>(7,483)</u>	<u>2,703</u>
Net Accounts Receivable	<u>\$ 68,233</u>	<u>\$ 71,306</u>	<u>\$ (3,073)</u>

The above presentation is before consideration of accrued billings at fiscal year-end.

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2017 (with 2016 summarized comparative information)

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of the fiscal year ending December 31, 2017, Varnado Waterworks District had \$5,420,877 (net of accumulated depreciation) recorded in capital assets. This includes the water systems and improvements, the office building and storage for the water system equipment, land, and other equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 105,512	\$ 105,512	-	0%
Buildings	151,180	151,180	-	0%
Equipment	245,944	243,579	2,365	1%
Vehicles	69,578	69,578	-	0%
Utility System	<u>9,582,915</u>	<u>9,547,916</u>	<u>34,999</u>	0%
Subtotal	<u>10,155,129</u>	<u>10,117,765</u>	<u>37,364</u>	0%
Less: Accumulated Depreciation	<u>(4,734,252)</u>	<u>(4,490,446)</u>	<u>(243,806)</u>	5%
Net Capital Assets	<u>\$ 5,420,877</u>	<u>\$ 5,627,319</u>	<u>\$ (206,442)</u>	-4%

Capital Assets decreased by approximately four percent or \$206,442 as a result of the following activity:

- 1) Improvements to the William Lewis Well, which added \$35,000 to Capital Assets,
- 2) Purchase of tools and a new computer totaling \$2,365,
- 3) Net increase to Accumulated Depreciation of \$243,806; current year depreciation was the same.

**Varnado Waterworks District**

**Management’s Discussion and Analysis  
As of and for the Year Ended December 31, 2017  
(with 2016 summarized comparative information)**

**Long-Term Obligations**

The primary source of long-term financing for Varnado Waterworks District has been revenue bonds financed by the United States Department of Agriculture (USDA). During 2011, the District obtained financing of \$462,000 (Series 2011 Refunding Bonds) from a private lender, and with funds provided by the District, paid \$522,045 to refund the USDA 1988 Series Bonds. Interest rates for long-term debt financed through USDA are 4.125%, and 4.2% for the Series 2011 Refunding Bonds.

Bonds financed for Varnado Waterworks District include a specific requirement to maintain “Net Revenues” at 120 percent of the level required to fund annual debt service requirements. As noted in the last paragraph of *Footnote 8 – Flow of Funds, Restrictions on Use*, the District did not meet the “Net Revenues” requirement. Total long-term debt for the current and prior fiscal year is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total Long-Term Debt	\$ 3,235,915	\$ 3,326,832

**Future Economic Plans**

The District continually evaluates the needs of its customers and considers projects that will improve the water supply and provide additional service to customers. The approach of the board is to maintain a rate structure that is reasonable but that provides for optimum operation of the District.

**Requests for Information**

The financial report is designed to provide an overview of Varnado Waterworks District’s finances and demonstrate the District’s accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

# Financial Statements

**Varnado Waterworks District**  
**Statement of Net Position**  
**As of December 31, 2017**  
**(With Comparative Totals as of December 31, 2016)**

	2017	2016
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 289,107	\$ 215,468
Investments	340,009	415,980
Receivables, Net		
Accounts	86,579	84,663
Intergovernmental	36,180	26,179
Prepaid Insurance	8,703	5,953
Total Current Assets	760,578	748,243
Restricted Assets:		
Restricted Cash and Cash Equivalents	432,639	428,917
Restricted Investments	-	-
Total Restricted Assets	432,639	428,917
Property, Plant, and Equipment		
Land	105,512	105,512
Property, Plant and Equipment, Net	5,315,364	5,521,807
Total Property, Plant, and Equipment	5,420,876	5,627,319
<b>Total Assets</b>	<b>6,614,093</b>	<b>6,804,479</b>
<b>Liabilities</b>		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	25,374	31,882
Other Accrued Payables	21,018	19,807
Total Current Liabilities (Payable From Current Assets)	46,392	51,689
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	81,956	79,273
Revenue Bonds Payable	97,982	93,683
Accrued Interest on Bonds Payable	4,731	5,294
Total Current Liabilities (Payable From Restricted Assets)	184,669	178,250
Long Term Liabilities:		
Bonds Payable	3,137,933	3,233,149
Total Long Term Liabilities	3,137,933	3,233,149
<b>Total Liabilities</b>	<b>3,368,994</b>	<b>3,463,088</b>
<b>Net Position</b>		
Investment in Capital Assets	2,184,961	2,295,193
Restricted for:		
Capital Activity and Debt Service	350,683	349,644
Unrestricted	709,455	696,554
<b>Total Net Position</b>	<b>\$ 3,245,099</b>	<b>\$ 3,341,391</b>

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

**Varnado Waterworks District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2017**  
**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Water Sales	S 773,007	S 774,191
Installations	5,400	5,700
Penalties	20,916	19,261
Billing Fees	174,179	107,628
Reconnect Fees	3,800	3,700
Other	4,951	4,202
<b>Total Operating Revenues</b>	<u>982,253</u>	<u>914,682</u>
<b>Operating Expenses</b>		
Bad Debts	11,546	2,283
Conventions & Seminars	1,534	1,865
Depreciation	243,807	240,595
Director's Fees	3,180	3,180
Employee Benefits	57,802	46,445
Insurance	36,124	34,077
Contract - Meter Specialist	19,689	19,128
Office Expense	16,275	20,048
Other	6,598	3,381
Payroll Taxes	19,785	19,411
Permits	14,347	3,076
Professional Fees	20,600	21,135
Repairs and Maintenance	94,902	57,192
Salaries and Wages	275,024	239,097
Supplies - Maintenance	45,195	40,290
Telephone	7,925	5,401
Travel	2,316	504
Uniforms	4,763	4,166
Utilities	74,927	61,686
Vehicle Expenses		
Fuel	9,039	5,210
Truck	1,428	3,029
<b>Total Operating Expenses</b>	<u>966,806</u>	<u>831,199</u>
<b>Operating Income (Loss)</b>	<u>15,447</u>	<u>83,483</u>
<b>Nonoperating Revenues (Expenses)</b>		
Realized Gain (Loss) on Sale of Capital Assets	-	-
Interest Income	4,914	3,576
Interest Expense	(135,100)	(138,818)
Other Income	18,447	383
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(111,739)</u>	<u>(134,859)</u>
<b>Change in Net Position</b>	<u>(96,292)</u>	<u>(51,376)</u>
<b>Total Net Position, Beginning</b>	<u>3,341,391</u>	<u>3,392,767</u>
<b>Total Net Position, Ending</b>	S <u><u>3,245,099</u></u>	S <u><u>3,341,391</u></u>

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

**Varnado Waterworks District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**  
**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Received From Customers	\$ 784,419	\$ 789,610
Received for Customer Deposits and Connection Fees	6,683	6,681
Other Receipts	166,461	100,407
Payments for Operations	(382,790)	(290,767)
Payments to Employees	(332,826)	(304,953)
Net Cash Provided by Operating Activities	<u>241,947</u>	<u>300,978</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Other Receipts	<u>18,447</u>	<u>383</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>18,447</u>	<u>383</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital Contributions Received	-	-
Proceeds from Sale of Capital Acquisitions	-	-
(Payments for) Capital Acquisitions	(37,365)	(289,407)
Principal Proceeds from (Repayments for) Long Term Debt	(90,917)	(86,823)
Interest Payments for Long Term Debt	(135,663)	(139,354)
Net Cash (Used) by Capital and Related Financing Activities	<u>(263,945)</u>	<u>(515,584)</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest	4,914	3,576
Proceeds from sale (Payments) for Investments	<u>75,998</u>	<u>56,617</u>
Net Cash Provided by Investing Activities	<u>80,912</u>	<u>60,193</u>
<b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>	77,361	(154,030)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>644,385</u>	<u>798,415</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 721,746</u>	<u>\$ 644,385</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>		
Cash and Cash Equivalents, Unrestricted	\$ 289,107	\$ 215,468
Cash and Cash Equivalents, Restricted	<u>432,639</u>	<u>428,917</u>
Total Cash and Cash Equivalents	<u>\$ 721,746</u>	<u>\$ 644,385</u>

(Continued)

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

**Varnado Waterworks District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**  
**(With Comparative Totals for the Year Ended December 31, 2016)**

	<b>12/31/17</b>	<b>12/31/16</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</b>		
<b>by Operating Activities</b>		
Operating Income (Loss)	\$ 15,447	\$ 83,483
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	243,807	240,595
(Increase) decrease in Accounts Receivable	(1,942)	(13,242)
(Increase) decrease in Due from Other Governments	(10,001)	(11,423)
(Increase) decrease in Prepaid Insurance	(2,750)	143
Increase (decrease) in Accounts Payable	(6,508)	(4,986)
Increase (decrease) in Accrued Expenses	1,211	(273)
Increase (decrease) in Customer Deposits	2,683	6,681
Net Cash Provided by Operating Activities	\$ 241,947	\$ 300,978

(Concluded)

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

## Notes to the Financial Statements

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

## Introduction

Varnado Waterworks District was established in 1975, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for an eight-member governing board of commissioners appointed by the Washington Parish Council. The District currently serves 1,698 customers as of December 31, 2017. The District's water wells are located approximately five miles north of the Bogalusa, Louisiana, city limits. The system lines run north to the Mississippi state line, south to the Bogalusa city limits, east to Pearl River, and approximately five miles west of Military Road. A project, funded by a loan and grant from the USDA Rural Development Office, was completed during 2008, which extended services to an additional 324 customers in the "Pine Area."

Varnado Waterworks District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Varnado Waterworks District is considered a component unit of the Washington Parish Council.

## 1. Summary of Significant Accounting Policies

### A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ended December 31, 2012. The District did not have any deferred outflows or inflows of resources at December 31, 2017.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I – Long-Term Debt Obligations*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

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

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

#### **B. Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

#### **C. Investments**

Investments for the District are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**D. Inventories**

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**E. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

**F. Restricted Assets**

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customers' meter deposits are also classified as restricted assets.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Equipment and Furniture	5 - 7 Years
Utility System	20 - 30 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

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

Employees receive two weeks of paid vacation after being employed for one to five years, increasing up to six weeks of vacation for employees with twenty-one years or more service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue a half a day per month of employment for sick leave up to a maximum of 45 days.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**I. Long-Term Debt Obligations**

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The District did not have any bond related costs in the year ending December 31, 2016.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

**J. Net Position**

GASB Statement No. 34, *Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
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acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### **K. Comparative Data/Reclassifications**

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

#### **L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

#### **M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**2. Cash and Cash Equivalents**

At December 31, 2017 and 2016, the District has cash and cash equivalents (book balances) totaling, as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Demand Deposits	\$ 266,745	\$ 196,869
Time & Savings Accounts	100,328	94,247
Money Market Accounts	212,086	212,055
Louisiana Asset Management Pool	142,585	141,214
Total Cash and Cash Equivalents	721,744	644,385
Certificates of Deposits Held in Investments (See Note 3)	225,000	300,988
Total Deposits	\$ 946,744	\$ 945,373

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2017, the District has \$598,877 in deposits (collected bank balances), consisting of \$273,849 in demand deposits within four separate banks and \$325,028 in time and savings accounts, including certificates of deposits held as investments, within three separate banks. The demand deposits and the time and savings accounts are secured from risk by \$250,000 of federal deposit insurance at each financial institution and also have access to pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**3. Investments**

Investments are categorized into these three categories of credit risk:

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

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

At December 31, 2017, the District's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
LPL Financial - Money Market		\$ 115,009	\$ 115,009
		<u>115,009</u>	<u>115,009</u>
Certificates of Deposit:			
Citizens Savings Bank	March 9, 2018	10,000	10,000
Whitney National Bank	July 21, 2019	70,000	70,000
Citizens Savings Bank	October 13, 2021	45,000	45,000
Citizens Savings Bank	July 19, 2022	100,000	100,000
	Total	<u>\$ 225,000</u>	<u>\$ 225,000</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

*Interest Rate Risk:* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool (LAMP) at December 31, 2016, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. LAMP is subject to the regulator oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

1. Credit risk: LAMP is rated AAA by Standards and Poor's.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
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2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 47 days as of December 31, 2016.
5. Foreign currency risk: Not applicable to 2a7-like pools.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc., is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**4. Receivables**

The following is a summary of receivables at December 31, 2017 and 2016:

	<u>Year Ended</u> <u>December</u> <u>31, 2017</u>	<u>Year Ended</u> <u>December</u> <u>31, 2016</u>	<u>Increase</u> <u>(Decrease)</u>
Accounts Receivable			
Current	\$ 66,264	\$ 68,891	\$ (2,627)
31-60 Days Past Due	3,938	4,800	(862)
61-90 Days Past Due	1,591	2,525	(934)
Over 90 Days Past Due	<u>1,220</u>	<u>2,573</u>	<u>(1,353)</u>
Subtotal	73,013	78,789	(5,776)
Allowance for Uncollectible Accounts	<u>(4,780)</u>	<u>(7,483)</u>	2,703
Net Accounts Receivable	<u>\$ 68,233</u>	<u>\$ 71,306</u>	<u>\$ (3,073)</u>
Accrued Billings	18,346	13,357	4,989
Due from Other Governments			
Due from Bogue Lusa Waterworks	27,245	18,728	8,517
Due (to) from Washington Gas District 1	8,935	7,451	1,484
Total Receivables	<u>\$ 122,759</u>	<u>\$ 110,842</u>	<u>11,917</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2017, accrued billings amounts were \$18,346, and \$13,357 at December 31, 2016.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**5. Restricted Assets**

The following is a summary of restricted assets at December 31, 2017 and 2016:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Restricted Cash and Cash Equivalents		
Customer Deposits	\$ 83,465	\$ 82,182
Bond Reserve Account	145,645	136,456
Bond Contingency Account	126,677	134,169
Bond Sinking Account	76,851	76,110
Total Restricted Assets	\$ 432,638	\$ 428,917

**6. Capital Assets**

A summary of changes in capital assets during the fiscal year ending December 31, 2017, is as follows:

	<b>Beginning Balance 12/31/16</b>	<b>Additions and Reclassifications</b>	<b>Deletions and Reclassifications</b>	<b>Ending Balance 12/31/17</b>
Capital Assets Being Depreciated				
Buildings	\$ 151,180	\$ -	\$ -	\$ 151,180
Equipment	243,579	2,365	-	245,944
Utility System	9,547,915	35,000	-	9,582,915
Vehicles	69,578	-	-	69,578
Total Capital Assets Being Depreciated	10,012,252	37,365	-	10,049,617
Less Accumulated Depreciation	(4,490,445)	(243,807)	-	(4,734,252)
Capital Assets Being Depreciated, Net	5,521,807	(206,442)	-	5,315,365
Land	105,512	-	-	105,512
Construction in Progress	-	-	-	-
Total Capital Assets, Net	\$ 5,627,319	\$ (206,442)	\$ -	\$ 5,420,877

Equipment, furniture, and fixtures are depreciated using the useful lives of five to ten years, and the water distribution system uses a useful life of twenty to thirty years. All assets are depreciated under the straight-line method. Capital Assets decreased by approximately four percent or \$206,442 as a result of the following activity:

- 1) Improvements to the William Lewis Well, which added \$35,000 to Capital Assets,
- 2) Purchase of tools and a new computer totaling \$2,365,
- 3) Net increase to Accumulated Depreciation of \$243,807; current year depreciation was the same.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

**7. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
2007 Water Revenue Bond	\$ 3,021,832	\$ -	\$ (51,917)	\$ 2,969,915	\$ 56,982
2011 Water Rev. Bond Refunding	305,000	-	(39,000)	266,000	41,000
Total Long-Term Debt	<u>\$ 3,326,832</u>	<u>\$ -</u>	<u>\$ (90,917)</u>	<u>\$ 3,235,915</u>	<u>\$ 97,982</u>

Bonds Payables as of December 31, 2017 and 2016 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Revenue Bond</b> \$ 651,000		
Water Revenue Bonds - RUS 91-07 sold to Rural Utility Service		
Dated 3/29/2007 due in monthly installments of principal and interest of		
\$ 2,806 through 5/1/2047 interest at 4.125%	\$ 569,490	\$ 579,445
<b>Revenue Bond</b> \$ 2,744,000		
Water Revenue Bonds - RUS 91-08 sold to Rural Utility Service		
Dated 3/29/2007 due in monthly installments of principal and interest of		
\$ 11,827 through 5/1/2047 interest at 4.125%	2,400,425	2,442,387
<b>Revenue Bond</b> \$ 462,000		
Water Revenue Bonds -Series 2011 Refunding sold to Rural Utility Service		
Dated 8/25/2011 due in annual installments of principal and semi-annual interest averaging		
\$ 48,439 through 3/1/2023 interest at 4.20%	266,000	305,000
	<u>\$ 3,235,915</u>	<u>\$ 3,326,832</u>

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

The annual requirements to amortize all debt outstanding as of December 31, 2017, including interest payments of \$2,229,897 are as follows:

<b>Year Ending 12/31/16</b>	<b>2007 Water Revenue Bonds \$ 651,000</b>	<b>2007 Water Revenue Bonds \$ 2,744,000</b>	<b>Series 2011 Water Revenue Refunding \$ 462,000</b>	<b>Total</b>
2018	\$ 33,672	141,924	51,311	\$ 226,907
2019	33,672	141,924	50,568	226,164
2020	33,672	141,924	50,762	226,358
2021	33,672	141,924	50,872	226,468
2022	33,672	141,924	50,898	226,494
2023 to 2027	168,360	709,620	45,945	923,925
2028 to 2032	168,360	709,620	-	877,980
2033 to 2037	168,360	709,620	-	877,980
2038 to 2042	168,360	709,620	-	877,980
2043 to 2047	148,718	627,011	-	775,729
	<u>\$ 990,518</u>	<u>\$ 4,175,111</u>	<u>\$ 300,356</u>	<u>\$ 5,465,985</u>

**8. Flow of Funds, Restrictions on Use**

As of December 31, 2017, the bond restrictions apply to parity bond obligations of outstanding bonds of Varnado Waterworks District and include the two issues of the 2007 Water Revenue Bonds, and the Series 2011 Refunding Bonds. Bond descriptions and covenants are as follows:

During the fiscal year ending December 31, 2009, construction was completed for the Pine Area system improvements. Interim financing totaling \$3,395,000 was obtained to finance the system improvements, with permanent financing to be provided by the USDA Rural Development Office. Interim financing was paid off March 29, 2007 by USDA Rural Development financing with a refunding totaling \$3,547,775. The payment of \$3,547,775 consisted of payoff of principal totaling \$3,395,000 plus \$152,775 accumulated interest, capitalized as construction period interest. The USDA Rural Development Office refunded the interim loan with the issuance of two Water Revenue Bonds, both dated March 29, 2007, and both issued at an annual interest rate of 4.125%.

The first bond issue totals \$651,000, and the second issue totals \$2,744,000, for a combined total of \$3,395,000. Both of the bond issues specify that the bond shall be payable over a forty (40) year period, with the first payment consisting of interest only which fell due on April 1, 2008 and will be paid thereafter in Four Hundred Eighty (480) consecutive monthly payments commencing May 1, 2008 and continuing through May 1, 2047 unless the principal amount hereof is prepaid in whole or in part in accordance with the terms set forth in the Bond Resolution. Each payment shall be applied first to the payment of accrued interest, and second to the payment of principal. For the issue totaling \$651,000, bond terms require a total monthly principal and interest payment of \$2,805.81, and for the \$2,744,000 bond issue a total monthly principal and interest

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

payment of \$11,826.64. With the payoff of interim financing and the issuance of long-term financing provided by the USDA Rural Development, the District recorded a total of \$65,193 in bond issuance costs, to be amortized over the life of the bonds.

During the fiscal year ending December 31, 2011, the April 13, 1988, bonds originally issued at \$925,000 were refunded with a cash payment of \$522,045. Sources of funding were issuance of Series 2011 Water Refunding Bonds at \$462,000, plus the District provided funds of \$68,951 from the existing Reserve Fund, and \$57,531 from the existing Depreciation and Contingency Fund to complete the refunding transaction. Proceeds of the issue and funds provided by the District also provided for advance funding of \$46,200 to fully fund the Series 2011 Debt Reserve Fund, and \$20,237 to fund the costs of issuance and other costs. The Series 2011 Refunding Bonds, issued at annual interest rate of 4.2% on August 25, 2011, are payable in semi-annual installments for interest and annual installments of principal and mature on March 1, 2023.

Under the terms of the bond issue, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the District after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system. Total interest expense from all water revenue bonds equaled \$135,100 for the year ending December 31, 2017. The gross water revenue recognized during the current period was \$773,007.

The District is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with USDA.

Each of the water revenue bonds specify the establishment and maintenance of a separately identifiable fund or account designated as the "Water System Bond Revenue Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the Bonds and any Additional Parity Bonds, as they severally become due and payable, by transferring from the Revenue Fund to the agent of the Issuer, monthly on or before the 20<sup>th</sup> day of each month of each year, a sum equal to the total amount of the principal and interest falling due on the next principal payment date for the bonds (except as specified during the construction phase by the USDA Rural Development Office, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments. Alternately, USDA has set up a payment schedule whereby the District makes payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund" for the USDA bonds, but is required for the 2011 Series Refunding Bonds. At December 31, 2017, the 2011 Series Sinking Fund was fully-funded.

Bond covenants for USDA bonds also require that there shall also be set aside into a "Water Revenue Bond Reserve Fund" an amount equal to 5% of the monthly debt installment on all outstanding parity bonds, monthly in advance on or before the 20<sup>th</sup> day of each month, after the construction becomes revenue producing, until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. As of December 31, 2017, the highest annual debt payment in succeeding years for the two Series 2007 Bonds totals \$175,590. Construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the monthly deposit requirement is calculated at 5% of the monthly debt installment. The Reserve Fund was fully funded and had a collective balance of \$98,592 in cash and investments held at December 31, 2017.

For the Series 2011 Water Revenue Bonds, the Series 2011 Debt Service Reserve Fund was fully funded with a deposit of \$46,200 at the bond closing on August 25, 2011. At December 31, 2017, the Series 2011 Debt Service Reserve Fund was fully funded.

Other USDA bond covenants require that funds will also be set aside into a "Depreciation and Contingency Fund" (the Contingency Fund). After construction was completed for the \$3,395,000 in water revenue bonds issued

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the monthly deposit requirement became equal to the 5% Reserve Fund deposit, requiring deposits monthly in advance on or before the 20<sup>th</sup> day of each month an amount equal to 5% of the required monthly installment of interest and principal on outstanding parity bonds. The bond covenants further specify that such payments shall continue over the life of the bonds and when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall increase by a sum equal to 5% of the amount paid into the Sinking Fund.

Monies in the Contingency Fund shall be used for the making of repairs or replacements to the system, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds. All the revenues, received in any year and not required to be paid in such year into any of the noted funds, shall be regarded as surplus and may be used for any lawful corporate purpose. The Depreciation and Contingency Fund was fully funded and had a collective balance of \$126,677 in cash and investments held at December 31, 2017.

As construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, an additional bond requirement applied to the District. Bond covenants note that Additional Parity Bonds may also be issued on parity with the bonds if the following conditions are met:

The Issuer, through its Governing Authority by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year, sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide "Net Revenues" at least equal to 120% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations of the system. "Net Revenues," per applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2016, Net Revenues were computed to be below the 120 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 116 percent.

#### **9. Restricted and Designated Net Position**

At December 31, 2017, Varnado Waterworks District recorded \$350,683 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

#### **10. Intergovernmental Agreement**

The Varnado Waterworks District has a service agreement with the Bogue Lusa Water Works District and the Washington Parish Gas District Number One, also known as Varnado Gas District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for Bogue Lusa Water

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2017**  
**(with 2016 summarized comparative information)**

Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District, which is included in the administrative costs. Bogue Lusa Water Works is independently responsible for its meter reading expenses. The per customer monthly fee for Bogue Lusa Water Works for this service was \$2.60, and \$3.00 per customer per month for Varnado Gas District, payable monthly. The rate for Varnado Gas District includes \$2.35 for billing and \$0.65 per customer for meter reading.

Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District and Varnado Gas District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the other districts at an agreed-upon rate per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

For the fiscal year ending December 31, 2017, billing fees charged to Other Governments was \$157,648 for Bogue Lusa Water District, and \$16,530 charged to Washington Parish Gas District No. 1.

**11. Litigation and Claims**

There is no outstanding litigation at December 31, 2017.

**12. Contingent Liabilities**

There are no contingent liabilities at December 31, 2017.

**13. Subsequent Events**

The financial statements considered subsequent events through June 28, 2018, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017.

## Other Supplemental Information

**Varnado Waterworks District**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2017**  
**(With Comparative Amounts for the Fiscal Year Ended December 31, 2016)**

	<b>2017</b>	<b>2017</b>	<b>Variance</b>	<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>	<b>Actual</b>
			<b>(Unfavorable)</b>	
<b>Operating Revenues</b>				
Water Sales	\$ 800,200	\$ 773,007	\$ (27,193)	\$ 774,191
Installations	6,000	5,400	(600)	5,700
Penalties	20,000	20,916	916	19,261
Billing Fees	99,000	174,179	75,179	107,628
Reconnect Fees	4,500	3,800	(700)	3,700
Other	3,850	4,951	1,101	4,202
<b>Total Operating Revenues</b>	<b>933,550</b>	<b>982,253</b>	<b>48,703</b>	<b>914,682</b>
<b>Operating Expenses</b>				
Bad Debts	-	11,546	(11,546)	2,283
Conventions & Seminars	2,500	1,534	966	1,865
Depreciation	245,000	243,807	1,193	240,595
Director's Fees	4,000	3,180	820	3,180
Employee Benefits	59,700	57,802	1,898	46,445
Insurance	46,500	36,124	10,376	34,077
Contract - Meter Specialist	20,000	19,689	311	19,128
Office Expense	20,500	16,275	4,225	20,048
Other	7,000	6,598	402	3,381
Payroll Taxes	20,000	19,785	215	19,411
Permits	21,200	14,347	6,853	3,076
Professional Fees	35,000	20,600	14,400	21,135
Repairs and Maintenance	94,600	94,902	(302)	57,192
Salaries and Wages	240,000	275,024	(35,024)	239,097
Supplies - Maintenance	40,000	45,195	(5,195)	40,290
Telephone	5,750	7,925	(2,175)	5,401
Travel	1,200	2,316	(1,116)	504
Uniforms	4,400	4,763	(363)	4,166
Utilities	69,000	74,927	(5,927)	61,686
Vehicle Expenses	8,500	10,467	(1,967)	8,239
<b>Total Operating Expenses</b>	<b>944,850</b>	<b>966,806</b>	<b>(21,956)</b>	<b>831,199</b>
<b>Operating Income (Loss)</b>	<b>(11,300)</b>	<b>15,447</b>	<b>26,747</b>	<b>83,483</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	4,000	4,914	914	3,576
Interest Expense	(142,500)	(135,100)	7,400	(138,818)
Other Income	500	18,447	17,947	383
<b>Total Nonoperating Revenues</b>	<b>(138,000)</b>	<b>(111,739)</b>	<b>26,261</b>	<b>(134,859)</b>
<b>Change in Net Position</b>	<b>(149,300)</b>	<b>(96,292)</b>	<b>53,008</b>	<b>(51,376)</b>
<b>Total Net Position, Beginning</b>	<b>3,341,391</b>	<b>3,341,391</b>	<b>-</b>	<b>3,392,767</b>
<b>Total Net Position, Ending</b>	<b>\$ 3,192,091</b>	<b>\$ 3,245,099</b>	<b>\$ 53,008</b>	<b>\$ 3,341,391</b>

See independent auditor's report.

**Varnado Waterworks District**  
**Schedule of Insurance**  
**For the year ended December 31, 2017**

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Western Surety Company 18216102	Fidelity Bond Coverage:		11/16/2017 to 11/16/2018
	Employee Dishonesty	\$ 100,000	
	Forgery and Alteration	100,000	
	Theft, Disappearance	100,000	
	Computer Fraud	50,000	
American Alternative Insurance Co. GPPA-PF-6053997-03	Commercial General Liability:		2/28/2017 to 2/28/2018
	General Aggregate	3,000,000	
	Per Occurrence Limits	1,000,000	
	Damage to Premises Rented	1,000,000	
	Medical Expense Per Accident	10,000	
	Personal and Advertising Injury	1,000,000	
	Damage to Premises Rented	1,000,000	
	Products-Completed Operations	3,000,000	
	Aggregate		
	Public Officials and Management Liability	1,000,000	
	Commercial Property	2,265,309	
	Crime Coverage	100,000	
	Cyber Crime Liability	1,000,000	
	Business Auto:		
	Liability	1,000,000	
Uninsured Motorist	1,000,000		
Underinsured Motorists	1,000,000		
Comprehensive	As scheduled		
Collision	As scheduled		
Medical Payments	5,000		
Louisiana Workers Comp. 105384-B	Workers Compensation:		4/8/2017 to 4/8/2018
	Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See independent auditor's report.

## Schedule 3

**Varnado Waterworks District**  
**Schedule of Compensation Paid to Board of Commissioners**  
**For the year ended December 31, 2017**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Freddie Jefferson, President (985) 986-2460	31110 School Road Angie, LA 70426	\$ 720	12/31/21
Ronald Owens, Commissioner (985) 735-6111	26183 Highway 21 Angie, LA 70426	600	12/31/19
Argil Boone, Commissioner (985) 735-5890	61768 Seal Road Angie, LA 70426	540	12/31/20
Tommy Terrell, Commissioner (985) 848-5820	53668 Highway 62 Franklinton, LA 70438	720	12/31/22
Joe Lewis, Commissioner (985) 735-9863	64023 Recreation Center Road Angie, LA 70426	600	12/31/18
		<u>\$ 3,180</u>	

See independent auditor's report.

**Schedule 4**

**Varnado Waterworks District  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the year ended December 31, 2017**

**Agency Head Name: Freddie Jefferson, President**

<u>Purpose</u>	<u>Amount</u>
Per diem- Board Member	\$ 720

See independent auditor's report.

**Varnado Waterworks District**  
**Schedule of Water Rates**  
**For the year ended December 31, 2017**

Water	
Residential Rates	Commercial Rates
\$ 22.00 - First 2,000 Gallons	\$ 53.00 - First 15,000 Gallons
3.00 - Per 1,000 Gallons of Water over 2,000 Gallons	4.00 - Per 1,000 Gallons of Water over 15,000 Gallons

See independent auditor's report.

**Schedule of Water Customers**  
**as of December 31, 2017 and 2016**

	December 31, 2017	December 31, 2016	Increase (Decrease)
Customers			
Residential	1,669	1,657	12
Commercial	22	22	-
Schools	6	6	-
Prison	1	1	-
Total Customers	1,698	1,686	12
Commercial users having a meter size larger than the residential size (3/4")			18

See independent auditor's report.

*Minda B. Raybourn*

Certified Public Accountant  
Limited Liability Company

820 11<sup>th</sup> Avenue  
Franklinton, Louisiana 70438  
(985) 839-4413  
Fax (985) 839-4402

Member  
AICPA

Member  
LCPA

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

To the Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, LA

I 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 Varnado Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Varnado Waterworks District's basic financial statements and have issued my report thereon dated June 28, 2018.

**Internal Control over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider material weaknesses or significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Varnado Waterworks District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-001.

### **Bogue Lusa Waterworks District's Response to Findings**

Bogue Lusa Waterworks District's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Bogue Lusa Waterworks District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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

*Minda Raybourn*

Franklinton, Louisiana

June 28, 2018

**Varnado Waterworks District, Louisiana**  
**Schedule of Current Year Audit Findings**  
**For the Year Ended December 31, 2017**

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to the financial statements note?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Varnado Waterworks District, Louisiana**  
**Schedule of Current Year Audit Findings and Responses**  
**For the Year Ended December 31, 2017**

**Noncompliance Finding**

**Item 2017-001 Net Revenue Requirement of Bond Covenants**

**Criteria:** The rate covenants for the "Water Revenue Refunding Bonds, Series 2011, specify: "The issuer, through its Governing Authority by proper resolutions and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each Fiscal Year and as will provide Net Revenues at least equal to 120% of the principal and interest falling due in such year on all bonds or other obligations payable from the System and as will provide revenues at least sufficient to pay all reserve or sinking fund payments required for such Fiscal Year by this Resolution and all obligations or indebtedness payable out of the Revenues during such year, and that such rates, fees, rents or other charges shall not at any time be reduced as to be insufficient to provide adequate Revenues for such purposes."

**Condition:** At December 31, 2017, the District's net revenue coverage was 115%.

**Cause of Condition:** The District's water sales decreased from the prior year by \$1,184 while total operating expenses increased \$135,607.

**Effect of Condition:** The district was not in compliance with the bond covenants.

**Recommendation:** The District should monitor its net revenue requirements through the year and not just at year end. It should consider reviewing rates each year to ensure adequate coverage of the requirements of its bond agreement:

**Management Response:** We will put in place procedures to follow the auditor's recommendation.

**Varnado Waterworks District, Louisiana**  
**Schedule of Prior Year Audit Findings and Responses**  
**For the Year Ended December 31, 2017**

There were no prior year findings.

**INDEPENDENT ACCOUNTANT'S  
REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

# Minda B. Raybourn

*Certified Public Accountant  
Limited Liability Company*

820 11<sup>th</sup> Avenue  
Franklinton, Louisiana 70438  
(985) 839-4413  
Fax (985) 839-4402  
wrcpa@franklinton.net

Member  
AICPA

Member  
LCPA

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 28, 2018

To the Board of commissioners  
Varnado Waterworks District  
26070 Hwy 21  
Varnado, LA

And Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Varnado Waterworks District (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 January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

*The District has written policies and procedures regarding budgeting.*

- 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.

*The District has written policies and procedures regarding purchasing. The District does not use purchase orders.*

- c) **Disbursements**, including processing, reviewing, and approving

*The District has written policies and procedures regarding disbursements.*

- d) **Receipts**, including receiving, recording, and preparing deposits

*The District has written policies and procedures regarding receipts.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The District has payroll procedures in place regarding daily logs and time sheets, including leave and overtime.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

*The District does have written policies and procedures addressing contracts. It does not address specifics such as standard terms and conditions and legal review.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

*The District does use credit cards but does not have written policies and procedures in place. Debit cards, fuel cards and P-cards are not used.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

*The District does have policies and procedures in place for travel and expense reimbursement. Documentation requirements are not addressed.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*There District does have written policies and procedures regarding ethics prohibitions.*

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The District does not have written policies and procedures regarding debt service.*

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

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

*The District holds board meetings each month.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*The District's board minutes included monthly budget to actual comparisons. The District's funds did not show a fund balance deficit for any of the funds.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*The District minutes referenced non-budgetary financial information for at least one meeting during the fiscal period.*

***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A listing of client bank accounts and management's representation the listing is complete were obtained.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts. The District uses an external accountant to review and reconcile the bank accounts.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*Management has documentation and has reviewed items that have been outstanding for more than 6 months at the end of the fiscal year.*

### ***Collections***

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- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*A listing of cash collection locations and management's representation that the listing is complete were obtained.*

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*The District has an office manager and one clerk that handle cash collections. In the cash collection location selected, both employees are responsible for collecting cash and recording transactions in the utility billing system. The District has an external accountant that records transactions to the general ledger. The office manager deposits the funds into the bank account. The District has one cash drawer that is shared. Both employees are bonded.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*There is a formal written process to reconcile cash collections to the general ledger by revenue source, by a person who is not responsible for cash collections.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day

of collection, report the number of days from receipt to deposit for each day at each collection location.

*The highest (dollar) week of cash collections for the one collection location was obtained along with collection documentation, deposit slips, and bank statements. All collections were deposited by the next business day.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*All collections were completely supported by documentation for the location tested.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*The District does not have written policies or procedures that documents a process to determine completeness of all collections for each revenue source. The District uses an external accountant to reconcile the general ledger with utility billing at month end.*

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

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*The general ledger was obtained and sorted and filtered for disbursements. Management's representation that the population is complete were obtained.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*The District does not use purchase orders.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*The District does not use purchase orders..*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*All payments selected and tested had an approved invoice or receipt of goods purchased. The District does not use purchase orders.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The office manager is responsible for processing payments. The District uses an external accountant to record purchases and add vendors to the accounting system.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*The systems manager has approval to initiate purchases. The District's office manager signs the check along with one board member who has no responsibility for initiating or recording purchases.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*Inquiry and observations of management indicated that unused check stock is maintained in a locked location.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*The District does not use signature stamps or a signature machine. Once checks are signed, they are mailed by the clerk the same day.*

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

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

*I obtained a list of the active credit card and management's representation that the listing is complete. The district not use debit cards, fuel cards, or P-cards.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]

*The statement is approved by the board at its monthly meeting.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*There were no finance charges or late feess.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*Receipts were obtained to support the purchase.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*All purchases were for public purposes. There were no meal charges.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*No other documentation was required..*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*None of the purchases required solicitation of bids or quotes.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*None of the purchases violated Article 7, Section 14.*

## ***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*The general ledger was sorted and filtered for travel reimbursements. Management's representation that the general ledger is complete were obtained.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The District's policies require following the guidelines of the State of Louisiana Division of Administration travel guide.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*The amounts paid did not exceed GSA rates.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*There were no exceptions noted as a result of applying this procedure.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*There were no exceptions noted as a result of applying this procedure.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*There were no exceptions noted as a result of applying this procedure.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*There were no exceptions noted as a result of applying this procedure.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*There were no exceptions noted as a result of applying this procedure.*

### ***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*The general ledger was obtained and sorted and filtered for contract payments. Management's representation that the general ledger is complete were obtained.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*The District had written contracts that supported the service arrangements and payments.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*There were no exceptions noted as a result of applying this procedure.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*There were no exceptions noted as a result of applying this procedure.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*The meter reading contract had an increase of \$0.03 per meter in which the original contract appears to take into considerations amendments.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*There were no exceptions noted as a result of applying this procedure.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*There were no exceptions to this procedure.*

## ***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*A listing of employees with their related salaries and management's representation that the listing is complete were obtained. The District had one employee whom resigned. A new employee was hired after that.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*There were no exceptions noted as a result of applying this procedure.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*There were no exceptions noted as a result of applying this procedure.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

*All selected employees did have daily attendance and leave documented.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*The selected employees did have written documentation that there was supervisor signature on record.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*The District did maintain complete written documentation of leave records on the selected employees.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the

personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*No employees were terminated.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*There were no exceptions noted as a result of applying this procedure.*

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

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*The employees did have the required ethics training completed.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management asserted that they have received no allegations during the fiscal period.*

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

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*No new debit was issued during the fiscal period.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*There were no exceptions to this procedure.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*The District no tax millages relating to debt service.*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The District does have the required notices posted on its premises and website.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions were noted as a result of applying this procedure.*

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

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

*Minda Rayburn*

Franklinton, LA

June 28, 2018