

WATERWORKS DISTRICT NO. 7

KEITHVILLE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2017

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 7

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of Waterworks District No. 7 (the District), a component unit of the Caddo Parish Commission as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 7, as of December 31, 2017, and the changes in financial position

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

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information if fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my reported dated May 30, 2018 on my consideration of Waterworks District No. 7's internal control over functional reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 7's internal control over financial reporting and compliance.



Certified Public Accountant
May 30, 2018

**WATERWORKS DISTRICT NO. 7
6836 COLQUITT ROAD
KEITHVILLE, LOUISIANA 71047**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Waterworks District No. 7's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2017. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$2,512,090 at year end which represents an increase from the prior year of \$142,411.

During the year ended December 31, 2017, the District reduced its long-term debt by \$108,237.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and Notes to Financial Statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's net position and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$2,512,090 as of December 31, 2017.

The District's major assets are its fixed assets of \$2,584,456 representing its investment in its water distribution system and water treatment plant. The District owed \$1,328,789 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

**Waterworks District No. 7
Statement of Net Position
December 31,**

	<u>2017</u>	<u>2016</u>
Current assets	\$ 674,357	\$ 641,250
Other assets	680,155	618,795
Capital Assets, net of depreciation	2,581,456	2,636,539
Total Assets	<u>3,935,968</u>	<u>3,896,584</u>
Accounts payable and accrued expenses	36,590	35,401
Notes Payable	1,328,789	1,437,026
Other liabilities	58,499	54,478
Total liabilities	<u>1,423,878</u>	<u>1,526,905</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Invested in capital assets, net of related debt	1,252,667	1,198,513
Reserved for debt service	-	-
Unrestricted	<u>1,259,423</u>	<u>1,171,166</u>
Net Position	<u>\$ 2,512,090</u>	<u>\$ 2,369,679</u>

Waterworks District No. 7
Statement of Changes in Net Position
December 31,

	2017	2016
Operating Revenues	\$ 824,478	\$ 800,650
Operating Expenses	635,908	597,716
Operating Income	188,570	202,934
Non-operating Income/Expense	(45,959)	(43,230)
Changes in Net Position	\$ 142,611	\$ 159,704

The District's total operating revenues increased by \$23,828 from the previous year. The total operating expense increased by \$38,192 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$2,581,456 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$55,083 as a result of additions of \$59,554 and depreciation expense of \$114,637.

	Capital Assets at Year End December 31,	
	2017	2016
Distribution and Treatment Systems	\$ 3,678,092	\$ 3,678,092
Equipment	578,102	518,548
Building	105,591	105,591
Total	4,361,785.00	4,302,231.00
Less: Accumulated Depreciation	1,780,329	1,665,692
Net Fixed Assets	\$ 2,581,456	\$ 2,636,539

Debt

The District had long-term debt as follows:

	<u>Balance</u> <u>1/1/2017</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2017</u>
Water Revenue Bond	\$ 368,588	\$ -	\$ 17,908	\$ 350,680
Bonds Series 2013 A	34,506	-	7,176	27,330
Bonds Series 2013 B	211,319	-	16,856	194,463
Bonds Series 2013 B-1	524,257	-	24,328	499,929
Bonds Series 2013	298,356	-	41,967	256,389
Totals	<u>\$1,437,026</u>	<u>\$ -</u>	<u>\$108,235</u>	<u>\$1,328,791</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting the next year's rates and fees. These factors and indicators include: long-term debt, cost of operations and number of customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Waterworks District No. 7, Keithville, Louisiana's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Waterworks District No. 7, 6836 Colquitt Road, Keithville, Louisiana 71047, or by calling (318)925-6880.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana
Statement of Net Position

December 31, 2017

ASSETS	
<u>Current Assets</u>	
Cash	\$ 607,338
Accounts Receivable (Net)	67,019
Total Current Assets	<u>674,357</u>
<u>Other Assets</u>	
Restricted Cash	57,175
Investments	622,980
Fixed Assets (Net)	2,581,456
Total Other Assets	<u>3,261,611</u>
Total Assets	<u>3,935,968</u>
Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	36,590
Current portion of long-term debt	123,791
Total Current Liabilities	<u>160,381</u>
<u>Long Term Liabilities</u>	
Customer Deposits Payable	57,175
Long-Term Debt, Net of Current Portion	1,204,998
Accrued Interest Payable	1,324
Total Long-Term Liabilities	<u>1,263,497</u>
Total Liabilities	<u>1,423,878</u>
Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,252,667
Unreserved	1,259,423
Total Net Position	<u>\$ 2,512,090</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2017

Revenues:	
Charges for Services	\$ 823,098
Miscellaneous Revenues	1,180
Total Revenues	<u>824,278</u>
Operating Expenses:	
Personal Services	252,211
Utilities	51,257
Repair and Maintenance	66,240
Other Supplies and Expense	140,831
Insurance	10,732
Depreciation	114,637
Total Expenses	<u>635,908</u>
Operating Income (Loss)	188,370
Non-Operating Revenues (Expenses)	
Interest Income	4,725
Interest Expense	<u>(50,684)</u>
Total Non-Operating Revenues (Expenses)	<u>(45,959)</u>
Change in Net Position	142,411
Net Position - Beginning of Year	<u>2,369,679</u>
Net Position - End of Year	<u><u>\$ 2,512,090</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Statement of Cash Flows

Year Ended December 31, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 820,571
Cash payments to suppliers	(515,038)
Other operating income	<u>1,180</u>
Net cash provided by operating activities	<u>306,713</u>
Cash flows from capital and related financing activities:	
Fixed asset purchases	(59,554)
Interest paid on long-term debt	(51,707)
Proceeds of long-term debt	-
Principal payments on long-term debt	<u>(108,237)</u>
Net cash provided by capital and related financing activities	<u>(219,498)</u>
Cash flows from investing activities:	
Net change in investments	<u>(4,185)</u>
Net cash provided by investing activities	<u>(4,185)</u>
Cash flows from noncapital financing activities:	
Interest income	<u>4,725</u>
Net increase in cash	87,755
Cash, beginning of year (including restricted cash of \$52,131)	<u>576,758</u>
Cash, end of year(including restricted cash of \$57,175)	<u><u>\$ 664,513</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	188,370
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	114,637
Increase in accounts receivable	(2,527)
Increase in customer deposits	5,044
Increase in accounts payable	<u>1,189</u>
Net cash provided by operating activities	<u><u>\$ 306,713</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana
Notes to Financial Statements

December 31, 2017

Waterworks District No. 7, Keithville, Louisiana, was created on January 8, 1975 as provided under Louisiana Revised Statutes 33:3811 and is a component unit of the Caddo Parish Commission. The purpose of the District is to provide water service to the residents of District No. 7. The District is governed by a five person by a five person board of commissioners appointed by the Caddo Parish Commission. Commissioners of the District serve five-year terms and are compensated as provided in Louisiana Revised Statutes 33:3819. The District is comprised of property in southwest Caddo Parish, Louisiana, and services approximately 1800 residential and commercial customers.

1. *Summary of Significant Accounting Policies:*

The financial statements of Waterworks District No. 7, Keithville, Louisiana (the District), have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. *Cash:*

At year end, the carrying amount of the District's cash balance at banks totaled \$644,510. Bank balances were \$668,853 at year end. The difference is due to outstanding checks at year end. The difference is due to outstanding checks at year end. Bank balances totaling \$500,000 were insured by the FDIC. An additional \$144,510 were protected by securities held in the name of the District.

3. *Investments:*

Investments totaled \$662,981 at December 31, 2017. Investments at year end consisted of certificates of deposit and money market accounts totaling \$622,981. All deposits were insured by FDIC insurance.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana
Notes to Financial Statements

December 31, 2017

4. *Accounts Receivable:*

Accounts receivable for customer water bills at December 31, 2017, totaled \$71,409 less an allowance for doubtful accounts of \$4,390.

5. *Fixed Assets:*

A summary of fixed assets follows:

Office Furniture	\$	48,597
Machinery & Equipment		529,505
Land		25,200
Water System		<u>3,758,483</u>
		4,361,785
Less: Accumulated Depreciation		<u>(1,780,329)</u>
Net fixed assets	\$	<u>2,581,456</u>

Fixed asset additions for the year totaled \$59,554. Depreciation charged to operations for the year ended December 31, 2017 was \$114,637.

6. *Long-Term Debt:*

The following is a summary of debt transactions of Waterworks District No. 7 for the year ended December 31, 2017.

	Balance <u>1/1/2017</u>	<u>Proceeds</u>	<u>Payments</u>	Balance <u>12/31/2017</u>
Water Revenue Bond	\$ 368,588	\$ -	\$ 17,908	\$ 350,680
Bonds Series 2013 A	34,506	-	7,177	27,329
Bonds Series 2013 B	211,319	-	16,856	194,463
Bonds Series 2013 B-1	524,257	-	24,328	499,929
Bonds Series 2013	<u>298,356</u>	<u>-</u>	<u>41,968</u>	<u>256,388</u>
Totals	<u>\$1,437,026</u>	<u>\$ -</u>	<u>\$108,237</u>	<u>\$1,328,789</u>

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2017

6. Long-Term Debt: (Continued)

Bonds and notes payable at December 31, 2017, are comprised of the following:

Revenue Bonds - Series 2013A

Note payable to a bank dated September 30, 2013 in the amount of \$56,500, due in monthly installments of \$669 October 20, 2013 through July 30, 2021; bearing interest at a rate of 2.75%; collateralized by assets of the District. \$ 27,329

Revenue Bonds - Series 2013B

Note payable to a bank dated September 30, 2013 in the amount of \$262,500, due in monthly installments of \$1,935 October 20, 2013 through July 30, 2023; with a balloon payment of \$92,459 on July 30, 2023; bearing interest at a rate of 3.125%; collateralized by assets of the District. 194,463

Revenue Bonds - Series 2013B-1

Note payable to a bank dated September 30, 2013 in the amount of \$598,000; due in monthly installments of \$3,362 October 20, 2013 through July 30, 2023; with a balloon payment of \$353,897 on July 30, 2023; bearing interest at a rate of 3.15%; collateralized by assets of the District. 499,929

Revenue Bonds - Series 2013

Note payable to a bank dated May 29, 2013 in the amount of \$440,675; due in monthly installments of \$4,095 from July 1, 2013 through August 1, 2023; bearing interest at a rate of 2.5%; collateralized by assets of the District. 256,388

Utility Revenue Bonds

Water Revenue Bonds in the amount of \$369,000 dated July, 2017; due in monthly installments of \$3,727 through July, 2027; bearing interest at a rate of 5%; collateralized by assets of the District. 350,680

Total Notes Payable 1,328,789

Less: Current Maturities (123,791)

Note Payable - Long-Term \$1,204,998

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Notes to Financial Statements

December 31, 2017

The annual requirements to amortize debt outstanding as of December 31, 2017 including interest payments of \$172,025 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 123,791	\$ 35,305	\$ 159,096
2019	127,689	31,786	159,475
2020	131,711	28,361	160,072
2021	133,515	24,837	158,352
2022	132,159	25,260	157,419
2023 and After	679,924	26,476	706,400
Totals	<u>\$ 1,328,789</u>	<u>\$ 172,025</u>	<u>\$ 1,500,814</u>

7. *Operating Leases:*

The District has entered into six operating leases for plots of land, of which five are for the production of water and one is for stand pipe and office equipment. The following is a schedule by years of future rental payments required under operating leases having remaining noncancelable lease terms in excess of one year as of December 31, 2018: 2018 - \$7,200; 2019 - \$7,200; 2020 - \$7,200; 2021 - \$7,200; 2022 and after - \$107,100.

8. *Pension Plan:*

The Districted has adopted a SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 3% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees include those that received at least \$300 in any previous year and expect to receive \$300 during any specific year. Contributions of \$5,232 were paid to the plan for the year ended December 31, 2017, based on eligible wages of \$174,400.

9. *Contingencies:*

From time to time, in the normal course of business, the District is subject to various claims and litigation. Management believes the District has sufficient liability coverage to protect it from material losses.

10. *Subsequent Events:*

Management has evaluated events through May 30, 2018, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana

Schedule of Compensation Paid to Commissioners

For the Year Ended December 31, 2017

Steve Mikovich	\$ 840
Jimmy Edwards	840
Jewell Wagner	660
Mary Collier	480
Ann Osment	840
Glenda Britton	<u>420</u>
Total	<u>\$ 4,080</u>

WATERWORKS DISTRICT NO. 7

Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head

For the Year Ended December 31, 2017

Agency Head: Randy Moulton, Operations Manager

Salary	\$ 77,250
Payroll Taxes	\$ 6,072
Retirement	\$ 2,317
Reimbursements	\$ 8,716

WATERWORKS DISTRICT NO. 7
Keithville, Louisiana
Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2017

There were no findings for the year ended December 31, 2016.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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
Waterworks District No. 7
Keithville, Louisiana

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 governmental activities of Waterworks District No. 7 as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated May 30, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 7's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 7's financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported on the accompanying Schedule of Findings as Finding 2017-1.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.

Certified Public Accountant
May 30, 2018

WATERWORKS DISTRICT NO. 7

Keithville, Louisiana
Schedule of Findings

Year Ended December 31, 2017

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. One instance of noncompliance material to the financial statements of the District was disclosed during the audit.

Finding 2017-1:

Criteria: State law requires public employees to obtain ethics training on an annual basis.

Condition: District employees did not obtain ethics training in 2017.

Cause: Unknown.

Effect: The District is not in compliance with state law.

Recommendation: I recommend all employees obtain annual ethics training.

Management's Response: We agree with the finding. All employees will obtain ethics training in the future.



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

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

To the Board of Commissioners
Waterworks District No. 7
Shreveport, Louisiana

I have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of Waterworks District No. 7 (the District) to assist the District in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal year ended December 31, 2017. I am required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUP and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for their purposes.

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

Written Policies and Procedures

1. I obtained the entity's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring and amending the budget.
 - ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - ***Disbursements***, including processing, reviewing and approving.
 - ***Receipts***, including receiving, recording, and preparing deposits.
 - ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - a) Procedures Results - The entity has no written policies and procedures regarding all the topics listed above.
 - b) We will amend our policies and procedures to address the Statewide Agreed-Upon Procedures topics.

Board (or Finance Committee, if applicable)

2. I obtained and reviewed the board/committee minutes for the fiscal period, and:

- Determined whether the managing board met (with a quorum) at least monthly, or in a frequency in accordance with board's enabling legislation, charter, or other equivalent document.
- Determined 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.

- Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least meeting during the fiscal period.
 - a) Procedures Results - I noted no exceptions.

Bank Reconciliations

3. I obtained a listing of the Council's bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, I selected 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 five accounts). For each of the bank accounts selected, I obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - Bank reconciliations have been prepared
 - 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
 - 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.
 - a) Procedures Results - I noted no exceptions.

Collections

5. I obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, I selected all of the entity's cash collection locations (if five less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each collection location selected:
 - I obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transactions, or reconciling the related bank account(report if there are compensating controls performed by an outside party), and (3) not to share the same cash register or drawer with another employee.
 - I obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined 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 location selected.
 - I selected 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, traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, I determined the number of days from receipt to deposit for each day at each collection location.

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

7. I obtained written documentation (e.g. policy manual, written procedure) and determined 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.

a) Procedure Results - I noted no exceptions.

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

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

9. Using the disbursement population from #8 above, I randomly selected 30 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 of payments. I obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:

- Purchases were initiated using a requisition/purchase order system or an equivalent system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or an electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

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

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

12. I inquired of management and observed 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, I reviewed entity documentation (electronic system control documentation) and noted whether the persons with signatory authority have signatory authority have system access to print checks.

13. If a signature stamp or signature machine is used, I inquired 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. I inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

- a) Procedure Results - I noted one exception: No purchase orders or requisitions are required for purchases.
- b) Management's Response - We will initiate a purchase order system.

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

14. I obtained 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 I obtained management's representation that the listing is complete.

15. Using the listing prepared by management, I randomly selected 10 cards (or at least one-third of the if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

I obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. I selected 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:

- Determined 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.]
- Determined whether finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, I obtained 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).

- For each transaction, I determined whether the transaction is supported by:

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

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

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

- For each transaction, I compared 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.

- For each transaction, I compared the entity's documentation of the business/public purpose to the requirement of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, 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.

a) Procedure Results - I noted no exceptions.

Travel and Expense Reimbursement

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

18. I obtained the entity's written policies related to travel and expense reimbursements. I compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

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

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

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

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

- I compared the entity's documentation of the business/public purpose to the requirements of Article Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond 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.

- I determined whether each expense and related documentation was reviewed and approved, in by someone other than the person receiving reimbursement.
- a) Procedure Results - I noted no exceptions.

Contracts

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

21. Using the listing above, I selected 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). I obtained the related contracts and paid invoices and:

- Determined whether is a formal/written contract that supports the services arrangement and the paid.
- I compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. I noted 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).

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

- I determined 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
- I selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and noted whether the invoice and related payment complied with the terms and conditions of the contract.
- I obtained/reviewed contract documentation and board minutes and determined whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

a) Procedure Results - I noted no exceptions.

Payroll and Personnel

22. I obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. I randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed 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.

- b) Reviewed 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.
23. I obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within the pay period, I randomly selected 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) Determined 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.]
- b) Determined whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Determined 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.
24. I obtained from management a list of those employees/officials that terminated during the fiscal period and managements representation that the list is complete. If applicable, I selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. I noted whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. I obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. I determined whether the employee and employer portions of the payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.
- a) Procedure Results - I noted no exceptions.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, I obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. I inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, I reviewed documentation that demonstrates whether management investigate alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. I determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.
- a) Procedure Results - I noted that employees did not receive ethics training for the year ended December 31, 2017.

- b) Management's Response - Ethics training was completed subsequent to year end.

Debt Service (excluding nonprofits)

- 28. If debt was issued during the fiscal period, I obtained supporting documentation from the entity and determined whether State Bond Commission approval was obtained.
- 29. If the entity had outstanding debt during the fiscal period, I obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
- 30. If the entity had tax millages relating to debt service, I obtained supporting documentation and whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, I determined whether any millages continue to be received for debt that has been paid off.

- a) Procedures Results - I noted no exceptions.

Other

- 31. I inquired of management whether the entity had any misappropriations of public funds or assets. If so, I obtained/reviewed supporting documentation and noted whether the entity had reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- 32. I observed 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
- 33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

- a) Procedures Results - I noted one exception: the notice required by R.S.24:523.1 was not posted on the premises nor on the website.
- b) Management's Response - We have subsequently posted the above notice on the premises and on the website.

I was not engaged and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. 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.

This report is intended solely for the information and use of the Council and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than the specified parties.

Marsha D. Milhean

Certified Public Accountant
May 30, 2018