

PINE HILL WATERWORKS DISTRICT NO. 8

Shreveport, Louisiana

FINANCIAL STATEMENTS

July 31, 2017

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

PINE HILL WATERWORKS DISTRICT NO .8

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Directors
Pine Hill Waterworks District No. 8
Shreveport, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Pine Hill Waterworks District No. 8, a component unit of the Caddo Parish Commission, as of and for the year ended July 31, 2017, and the related notes to the financial statements, which collectively comprise the System'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 Pine Hill Waterworks District No. 8, as of July 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules listed in the table of contents as supplemental information are presented for purposes of additional analysis and are 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 directly to 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 American. In my opinion, the information is 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 report dated January 25, 2018 on my consideration of Pine Hill Waterworks District No. 8 Inc.'s internal control over financial 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 Pine Hill Waterworks District No. 8's internal control over financial reporting and compliance.



Certified Public Accountant
January 25, 2018

PINE HILL WATERWORKS DISTRICT NO. 8

EXHIBIT A

Statement of Net Assets

July 31, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	206,960
Accounts Receivable		83,864
Prepaid Expenses		16,230
Total Current Assets		<u>307,054</u>

PROPERTY AND EQUIPMENT (NET)

1,393,838

OTHER ASSETS

Restricted Cash		358,406
Restricted Investments		150,017
Utility Deposits		50
Total Other Assets		<u>508,473</u>

Total Assets

\$ 2,209,365

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES (Payable from Current Assets)

Accounts Payable	\$	32,757
Accrued Compensated Absences Payable		13,249
Accrued Salaries Payable		7,965
Total Current Liabilities (Payable from Current Assets)		<u>53,971</u>

CURRENT LIABILITIES (Payable from Restricted Assets)

Accrued Interest Payable		5,823
Current Maturities of Long-Term Debt		109,071
Total Current Liabilities (Payable from Restricted Assets)		<u>114,894</u>
Total Current Liabilities		168,865

OTHER LIABILITIES (Payable from Restricted Assets)

Long-Term Debt, Less Current Maturities		917,447
Customer Deposits		130,190
Total Other Liabilities		<u>1,047,637</u>
Total Liabilities		<u>1,216,502</u>

Net Assets:

Invested in capital assets, net of related debt		456,031
Restricted for debt service		377,233
Unrestricted		159,599
Total Net Assets		<u>992,863</u>

Total Liabilities and Net Assets

\$ 2,209,365

See accompanying notes to financial statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Statement of Activities

For the Year Ended July 31, 2017

	<u>Total</u>
SALES	\$ 885,246
OPERATING EXPENSES	<u>586,064</u>
Gross Profit	<u>299,182</u>
GENERAL AND ADMINISTRATIVE EXPENSE	<u>187,149</u>
Increase in Net Assets from Operations	<u>112,033</u>
OTHER INCOME (EXPENSE)	
Interest Income	196
Interest Expense	<u>(40,920)</u>
Change in Net Assets	71,309
NET ASSETS, BEGINNING OF YEAR, RESTATED (NOTE 10)	<u>921,554</u>
NET ASSETS, END OF YEAR	<u><u>\$ 992,863</u></u>

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

For the Year Ended July 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 893,000
Cash payments to suppliers and employees	(647,154)
Net cash provided by operating activities	<u>245,846</u>
CASH FLOWS FROM OTHER SOURCES	
Interest Income	196
Net cash provided from other sources	<u>196</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on long term debt	(40,920)
Principal payments on long term debt	(96,508)
Net cash used by capital and related financing activities	<u>(137,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	(86)
Additions to property and equipment	(42,972)
Net cash used by investing activities	<u>(43,058)</u>
Increase (Decrease) in cash	65,556
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
(including restricted cash of \$348,093)	<u>499,810</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	
(including restricted cash of \$358,406)	<u>\$ 565,366</u>
Reconciliation of changes in net assets to net cash	
provided by operating activities:	\$ 112,033
Changes in net assets before capital contributions	
Adjustments to reconcile net income to net cash	
provided by operating activities:	
Depreciation	125,471
Changes in assets and liabilities	
Decrease in accounts receivable	7,754
Increase in prepaid expenses	(1,354)
Decrease in accounts payable	(10,231)
Increase in accrued salaries payable	442
Increase in compensated absences payable	7,416
Increase in customer deposits	4,777
Decrease in accrued interest payable	(462)
Net cash provided by operating activities	<u>245,846</u>

The accompanying notes are an integral part of these statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

Introduction:

The Pine Hill Waterworks District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3811. The purpose of the District is to provide water service to the residents of the District. The District is located north of Shreveport, Louisiana and serves approximately 1584 customers. The District is domiciled at 4922 North Market Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3812. The commissioners of the District serve five year terms.

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. The District's proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R. S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the District are described as follows:

- A. Reporting Entity - As the governing authority of the parish, for reporting purposes, the Caddo Parish Commission (police jury) is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) the primary government (Parish Commission), (b) organizations for which the primary government is financially responsible and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criterion for including a potential component unit within a reporting entity is financial accountability.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

1. Summary of Significant Accounting Policies (Continued):

A. Reporting Entity (Continued)

These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Caddo Parish Commission to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Caddo Parish Commission.
2. Organizations for which the Caddo Parish Commission does not appoint a voting majority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

As provided by Louisiana Revised Statute 33:3811, the Caddo Parish Commission may, by ordinance, create or abolish the District in its entirety or may change or alter its boundaries. The Caddo Parish Commission appoints the commissioners of the District and the commissioners serve at the pleasure of the Caddo Parish Commission. The Pine Hill Waterworks District No. 8 of the Parish of Caddo was therefore determined to be a component unit of the Caddo Parish Commission, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting unit.

- B. Fund Accounting - The District uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

1. Summary of Significant Accounting Policies (Continued):

B. Fund Accounting (Continued)

government functions or activities.

The fund of the District is classified as a proprietary fund. Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is:

- *Water Fund* - Accounts for the provision of water service to the residents of the District. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The District has only business-type activities. These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users for goods and services. Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The basic financial statements of the District are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

1. Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The amounts reflected in the financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with District activities are reported. 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. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

- D. Cash and Cash Equivalents and Investments - Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing, demand deposits, time deposits (certificates of deposit), and short term, highly liquid investments with original maturities of three months or less when purchased. Investments are interest-bearing time deposits with original maturity dates in excess of three months when purchased. Investments are stated at cost, which approximates market value.

The District's investments comply with Louisiana Revised Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

- E. Receivables - Customers' water charges are the District's major receivable. All receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled customer water charges are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets - Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired by the District are reported at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets include property, plant, equipment, and distribution systems. The District maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land Improvements	\$ 1,000
Buildings	\$ 1,000
Construction in Progress	\$ 1
Machinery and Equipment	\$ 1,000
Vehicles	\$ 1,000
Distribution System	\$ 1,000
Furniture and Fixtures	\$ 1,000
Computer Hardware and Software	\$ 1,000

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Building and Improvements	20-40 years
Equipment	5-10 years
Vehicles	5 years
Distribution System	25 years
Furniture and Fixtures	10 years
Computer Hardware and Software	5 years

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

1. Summary of Significant Accounting Policies (Continued):

- G. Prepaid Expenses- Payments made to vendors for services that will benefit periods beyond July 31, 2017 are recorded as prepaid expenses.
- H. Restricted Assets- Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. The restricted assets are related to bond covenants which require the District to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt, to purchase additional equipment and improvements, and for customers' refundable water deposits.
- I. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
- J. Fund Equity - Equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:
- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets - Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets - Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- K. Risk Management- The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, and workers compensation.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

2. Cash and Cash Equivalents and Investments:

Cash and Cash Equivalents:

As of July 31, 2017, the District had cash and cash equivalents (book balances) totaling \$565,366 as follows:

Cash on hand	\$ 300
Demand deposits	206,660
Time deposits	358,406
	<u>\$ 565,366</u>

Investments:

At July 31, 2017, the District had investments (book balances) totaling \$150,017 as follows:

Time deposits	<u>\$ 150,017</u>
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These deposits are stated at cost, which approximates market value. 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 District in a holding or custodial bank that is mutually acceptable to both parties.

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 that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

The cash equivalents and investments of the District are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. At year end, the District had collected bank balances totaling \$722,882, of which \$626,195 were fully protected by federal depository insurance and \$96,687 were collateralized by the pledge of securities.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

2. Cash and Cash Equivalents and Investments (Continued):

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District's certificates of deposit have maturities of twenty-four months or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer will not fulfill its obligation to the holder. The District's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Receivables:

As of July 31, 2017, accounts receivable consist of the following:

Water sales - billed	\$ 92,393
Water sales - unbilled	9,789
Total	<u>102,182</u>
Less allowance for uncollectible	<u>(18,318)</u>
Net accounts receivable	<u>\$ 83,864</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

4. Capital Assets:

Capital assets and depreciation activity as of and for the year ended July 31, 2017 for the District is as follows:

	Balance August 1, 2016	Additions	Deletions	Balance July 31, 2017
Capital assets not being depreciated:				
Land	\$ 19,535	\$ -	\$ -	\$ 19,535
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>19,535</u>	<u>-</u>	<u>-</u>	<u>19,535</u>
Capital assets being depreciated:				
Buildings and improvements	112,491	-	-	112,491
Equipment	118,419	-	-	118,419
Distribution system	3,166,660	42,972	-	3,209,632
Total capital assets being depreciated	<u>3,397,570</u>	<u>42,972</u>	<u>-</u>	<u>3,440,542</u>
Less accumulated depreciation for:				
Buildings and improvements	57,946	3,919	-	61,865
Equipment	101,665	8,336	-	110,001
Distribution system	1,781,157	113,216	-	1,894,373
Total accumulated depreciation	<u>1,940,768</u>	<u>125,471</u>	<u>-</u>	<u>2,066,239</u>
Total capital assets - net	<u>\$ 1,476,337</u>	<u>\$ (82,499)</u>	<u>\$ -</u>	<u>\$ 1,393,838</u>

5. Long-Term Obligations:

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

Bonds and notes payable at July 31, 2017, are comprised of the following individual issues:

	Beginning Balance	Additions	Payments	Ending Balance
Series 2007 Water Revenue Bonds	\$ 885,000	\$ -	\$ (65,000)	\$ 820,000
URAF Agreement 07976	38,751	-	(21,592)	17,159
URAF Agreement 13572	79,328	-	(9,916)	69,412
URAF Agreement 14132	119,947	-	-	119,947
	<u>\$ 1,123,026</u>	<u>\$ -</u>	<u>\$ (96,508)</u>	<u>\$ 1,026,518</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

5. Long-Term Obligations (Continued):

Revenue Bonds:

Water Revenue Bonds, Series 2007, interest 4.80%, dated January 2, 2007, annual installments of \$50,000 to \$100,000 thereafter through 2026.	\$ 820,000
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Utility Relocation Assistance Funding Agreement 07976, non-interest bearing, dated July 13, 1990, annual installments of \$21,592 through 2019.	17,160
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Utility Relocation Assistance Funding Agreement 13572 non-interest bearing	69,411
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Utility Relocation Assistance Funding, Agreement 14132 non-interest bearing	<u>119,947</u>
	1,026,518

Less:

Current portion of long-term debt	<u>(109,071)</u>
Total long-term debt	<u><u>\$ 917,447</u></u>

The total annual requirements to amortize bond debt outstanding as of July 31, 2017, including including interest payments of \$192,480 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2007 Water Revenue Bonds:			
2018	\$ 70,000	\$ 36,240	\$ 106,240
2019	70,000	32,880	102,880
2020	75,000	29,520	104,520
20251	80,000	25,920	105,920
2022	85,000	20,040	105,040
2023-2026	440,000	47,880	487,880
	<u>\$ 820,000</u>	<u>\$ 192,480</u>	<u>\$ 1,012,480</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

5. Long-Term Obligations (Continued):

URAF Agreement	<u>17976</u>	<u>13572</u>	<u>14132</u>
URAF Agreement 07976:			
2018	\$ 17,160	\$ 9,916	\$ 11,995
2019	-	9,916	11,995
2020	-	9,916	11,995
2021	-	9,916	11,995
2022	-	9,916	11,995
2022 and After	-	19,831	59,972
	<u>\$ 17,160</u>	<u>\$ 69,411</u>	<u>\$ 119,947</u>

6. Restricted Assets:

Certain resources set aside for repayment of bonded indebtedness and customers' utility deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances or deposit agreements.

Water revenue bonds are obligations of the District solely secured by a pledge of the net revenues of the water system. The revenue of the water system and the various special depository accounts established by the bond ordinances collateralize the bonds. The bond covenants provide that the revenue of the system is to be used first to pay operating and maintenance of the system and then to meet the funding covenants of the obligations. The District is required to make monthly deposits into depository accounts to satisfy the requirements of the related bond covenants to assure payment of principal and interest when due. Any remaining revenues may then be used for any lawful purpose.

The bond covenants of the water revenue bonds require the District to establish the following accounts:

Water System Revenue Fund - All water system revenues of every nature derived from the operation of the system are initially deposited into this account to provide for the payment of reasonable and necessary expensing of operating and maintaining the system.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

6. Restricted Assets (Continued):

Water Revenue Bond Sinking Fund- The District must transfer into this depository account on or before the 20th of each month, one twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to promptly and fully pay principal and interest installments as they become due and may only be used for such payments.

Water Revenue Bond Reserve Fund- The District must transfer into this depository account an amount equal to the highest annual principal and interest payment (\$108,000). The monies in the "Reserve Fund" shall be retained solely for the purpose of paying the principal and interest on all bonds payable from the "Sinking Fund" as to which there would otherwise be default. As of July 31, 2017, this depository account had a collected bank balance of \$119,599.

Water Revenue Bond Capital Additions and Contingencies Fund - The District is required to transfer from the "Revenue fund" on or before the 20th of each month the remainder of revenues not required to be deposited into other funds as described above into a depository account to provide for additions and improvements, renewals, replacements and emergency repairs necessary to properly operate the system. These funds may also be used to pay interest and principal on bonds for which there is not sufficient money in the "Sinking Fund" or "Reserve Fund". However, the money in the "Contingencies Fund" shall never be used for the making of extensions, additions, improvements, renewals and replacements to the system if such use will leave less than \$50,000 for making emergency repairs or replacements. As of July 31, 2017, this depository account had a balance of \$50,002.

7. Simplified Employee Pension Plan:

The District offers a simplified employee pension plan to provide retirement benefits for its employees. Under this plan, the District provides discretionary annual contributions to the participating individual employee's individual retirement account (IRA). Participants must be reasonably expected to receive at least \$5,000 in gross salary for the calendar year. The District's contributions to each employee are based on an equal percentage applied to their gross annual earnings. There were no participating employees for the year ended July 31, 2017.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2017

8. Contingencies and Concentrations:

Lawsuits

The District is not currently named as defendant in any current or pending litigation.

Concentrations

The District's primary source of water to supply its customers is through a contract with the Town of Blanchard, Louisiana, whereby water is provided by the City to the District. The loss of this water source or a significant reduction in the availability of water could have a material adverse effect on the District. The District believes that its relationship with the Town of Blanchard is satisfactory.

9. Operating Leases:

The District has entered into a month to month operating lease for a plot of land for the production of water. Rental expense under this lease for the year ended July 31, 2017 totaled \$19,489.

10. Prior Period Adjustment:

Net assets at August 1, 2016 has been decreased by \$5,832 to record the liability for compensated absences at July 31, 2016.

11. Subsequent Events:

Subsequent events have been evaluated through January 25, 2018, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Operating Expense

Year Ended July 31, 2017

Water Costs	\$ 177,292
Repair & Maintenance	61,750
Salaries and Related Expenses	128,168
Well Site Rental	19,489
Utilities	36,545
Truck & Travel	7,160
Inspection and Testing	1,018
Operating Supplies	14,172
Depreciation	121,552
Safe Drinking Water Fees	14,581
Miscellaneous	<u>4,337</u>
Total	<u>\$ 586,064</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Administrative Expense

Year Ended July 31, 2017

Office Salaries and Related Expenses	\$ 97,150
Insurance	22,941
Utilities and Telephone	15,974
Legal and Accounting	7,224
Postage	8,275
Travel	2,278
Security	593
Meetings - Per Diem	4,260
Repair & Maintenance	2,087
Bank Charges	2,551
Credit Card Fees	2,047
Dues & Memberships	1,120
Bad Debts	5,240
Office Supplies and Expenses	10,365
Education and Conferences	927
Contract Labor	-
Depreciation	3,919
Miscellaneous	198
	<hr/>
Total	<u>\$ 187,149</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Commissioner's Compensation

For the Year Ended July 31, 2017

Jimmy Flournoy, President	\$	960
Leon Samuels		660
Evelyn Thomas		900
Shirley Hamilton		900
Robert Williams		840
		<hr/>
Total	\$	<u>4,260</u>

PINE HILL WATERWORKS DISTRICT NO. 8

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

For the Year Ended July 31, 2017

Agency Head: Jimmy Flournoy, President	<u>\$</u>	<u>960</u>
Agency Head: Robert Williams, President	<u>\$</u>	<u>840</u>



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

Board of Directors
Pine Hill Waterworks District No. 8
Shreveport, 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 business-type activities of Pine Hill Waterworks District No. 8 (the District) as of July 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 January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Pine Hill Waterworks District No. 8'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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation 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 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.

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 and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weakness and is reported as Finding #2017-1.

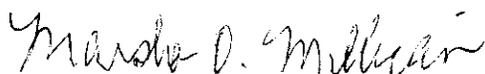
810 WILKINSON
SHREVEPORT, LA 71104-3036
(318) 221-3881
FAX: (318) 221-4641

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Hill Waterworks District No. 8'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported in the accompanying schedule of findings as Finding # 2017-2 and Finding # 2017-3.

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.



Certified Public Accountant
January 25, 2018

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings

Year Ended July 31, 2017

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One deficiency, which is considered to be a material weakness, is reported in the 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*.
3. Two instances of noncompliance material to the financial statements was disclosed during the audit.

FINDING #2017-1:

Criteria: Effective internal control requires segregation of duties.

Condition: The segregation of duties is inadequate to provide effective internal control. Employees perform interrelated duties.

Cause: The condition is due to economic and space limitations.

Effect: Unknown.

Recommendation: Whether or not it would be cost effective to correct a deficiency is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary.

Management's Response: We concur with the finding. We will make every effort to segregate duties as allowed by space and economic limitations.

FINDING #2017-2:

Criteria: The Louisiana Department of Revenue requires monthly sales tax returns to be filed no later than the 20th day after the reporting period ends.

Condition: Sales tax returns were filed late on eight occasions resulting in penalties and interest totaling \$922 for late filing of returns.

Cause: Unknown.

Effect: The District was not in compliance with the regulations of the Louisiana Department of Revenue.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings (Continued)

Year Ended July 31, 2017

FINDING #2017-2 (Continued)

Recommendation: I recommend the District file sales tax returns within the time period required by the Louisiana Department of Revenue.

Management's Response and Corrective Action Taken: We agree with the finding. We will file our sales tax returns on a timely basis in the future.

FINDING #2017-3:

Criteria: At the end of the month, the register balance on the bank reconciliation should agree with the cash balance on the balance sheet.

Condition: Although the difference was insignificant for four months, the register balance at the end of the month on the bank reconciliation did not agree with the cash balance on the balance sheet for all twelve months of the year.

Cause: Unknown.

Effect: Cash balances on the balance sheet may be incorrect.

Recommendation: I recommend the register balance on the bank reconciliation at the end of the month be compared with the balance sheet cash balance at the end of the month and any necessary adjustments be made.

Management's Response and Corrective Action Taken: We agree with the finding. In the future, we will compare the register balance on the bank reconciliation at the end of each month with the cash balance on the balance at the end of each month and make any necessary adjustments.

PINE HILL WATERWORKS DISTRICT NO. 8

Corrective Action Taken on Prior Year Findings

For the Year Ended July 31, 2017

FINDING #2016-1: The segregation of duties is inadequate to provide effective internal control. Internal controls over financial statement preparation have not been established.

Status: Partially resolved.

FINDING #2016-2: The District is not in compliance with the requirements of the Water Revenue Bonds, Series 2007.

Status: Resolved.



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

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

To the Board of Commissioners
Pine Hill Water Works District #8
Shreveport, Louisiana

I have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of Pine Hill Water Works District #8 (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 July 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 District. 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.

My procedures and enumerated findings are enumerated below.

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.
 - b) Management's Response - We will initiate composition of written policies and procedures.

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 one exception. The minutes did not reflect discussion of budget-to-actual comparisons.

- b) Management's Response - We will make discussion of budget-to-actual comparisons a part of our monthly board meetings.

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 the following exceptions: 1) There is no evidence that bank statements and reconciliations were reviewed by a board member or member of management with no involvement in the transactions associated with the bank accounts; and 2) There are seventy-two uncleared reconciling items in one account.
- b) Management's Response - We will begin to have bank statements and reconciliations reviewed by a member of the board. We are researching outstanding reconciling items.

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 or 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 required 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 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 the following exceptions: 1) No employees are bonded and the entity has no insurance to cover theft; 2) One of the persons who collects cash records transactions, and reconciles related bank accounts; and 3) employees share the same cash drawer on occasion.

b) Management's Response - We are attempting to secure bonding on employees; and we will segregate duties as much as possible. Employees will no longer share a cash drawer.

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 general ledger 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 no exceptions.

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 cards. 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 cards 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, 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.
 - a) Procedure Results - I noted the following exceptions: 1) On one of the credit cards, only three months' statements had original receipts attached. In the course of the field work, all receipts were provided; and 2) Finance charges totaling \$176 were assessed on five occasions.
 - b) Management's Response - We will reconcile credit card charges with receipts monthly. We will assure that statements are paid on time and in full to avoid payment of finance charges.

Travel and Expense Reimbursement

17. I obtained 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. 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 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.
 - I determined whether each expense and related documentation was reviewed and approved, in writing, 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 amount 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 a 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 amendment.
- 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 July 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 determined 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.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

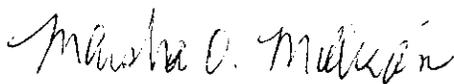
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

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. 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.

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



Certified Public Accountant

January 25, 2018



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

MANAGEMENT LETTER

Board of Commissioners
Pine Hill Waterworks District No. 8
Shreveport, Louisiana

In planning and performing my audit of the financial statements of Pine Hill Waterworks District No. 8, as of July 31, 2017, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of the following matter:

Credit Card Statements and Receipts:

During the performance of agreed-upon procedures regarding credit cards, one of the credit cards tested had receipts attached to the statements for only three months. In the course of fieldwork, receipts for the remaining statements were furnished.

I suggest that credit card charges be reconciled with receipts on a monthly basis.

I will review the status of the above comment during my next engagement. I have discussed the above with management of the District. Management has indicated that the District will reconcile credit card charges with credit card receipts on a monthly basis.

This report is intended solely for the information and use of the management, state and federal cognizant agencies and is not intended to be and should not be used by any others than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Marsha O. Millican

Certified Public Accountant
January 25, 2018