

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
December 31, 2018**

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2018

C O N T E N T S

	Statement	Page No.
Independent Accountant’s Review Report		2
Required Supplemental Information:		
Management’s Discussion and Analysis		4
Basic Financial Statements:		
Enterprise Fund Financial Statements:		
Statement of Net Position	A	8
Statement of Revenues, Expenses, and Changes in Net Position	B	9
Statement of Cash Flows	C	10
Notes to the Financial Statements		11
	Schedule	Page No.
Supplemental Information Schedules:		
Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners	1	20
Schedule of Prior Year Findings	2	21
Current Year Findings and Corrective Action Plan		22
Independent Accountant’s Report on Applying Agreed-Upon Procedures		24
Louisiana Attestation Questionnaire		29

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Accountant's Review Report

BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

I have reviewed the accompanying financial statements of Consolidated Water District No. 2 of Morehouse Parish (the "District"), a component unit of Morehouse Parish, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants, and the standards applicable to review engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana
Independent Accountant's Review Report
December 31, 2018

Other Matters

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to agency head and board of commissioners and the schedule of prior year findings are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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. The information is the responsibility of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made in to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information, and, accordingly, do not express an opinion on such information.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report dated June 25, 2019, on the results of my agreed-upon procedures.



Calhoun, Louisiana
June 25, 2019

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Our discussion and analysis of Consolidated Water District No. 2 of Morehouse Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements that begin on page 8.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net position
- c. Statement of revenues, expenses, and changes in net position
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and the changes in net position. Net position - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position is an indicator of whether the District's financial position is improving or deteriorating.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Bastrop, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2018

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The District's net position increased by \$117,318 for the year ended December 31, 2018. Operating revenues increased \$48,948 due to a rate increase that went into effect with the December 2017 billing and operating expenses decreased \$21,165 from the previous year due to a decrease in maintenance expenses. The following presents an analysis of net position and changes in net position of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$1,046,032	\$936,950
Restricted assets	46,030	45,484
Capital assets	<u>245,104</u>	<u>265,696</u>
Total assets	<u>1,337,166</u>	<u>1,248,130</u>
Liabilities		
Current liabilities	97,896	93,383
Long-term liabilities	<u>128,892</u>	<u>161,687</u>
Total liabilities	<u>226,788</u>	<u>255,070</u>
Net Position		
Net investment in capital assets	245,104	265,696
Unrestricted	<u>865,274</u>	<u>727,364</u>
Total net position	<u>1,110,378</u>	<u>993,060</u>
Operating revenues	461,198	412,250
Operating expenses	(353,515)	(374,680)
Non-operating revenues - interest	<u>9,635</u>	<u>5,778</u>
Change in net position	117,318	43,348
Net position - beginning	<u>993,060</u>	<u>949,712</u>
Net position - ending	<u>\$1,110,378</u>	<u>\$993,060</u>

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

OVERALL FINANCIAL POSITION

Unrestricted net position (those assets available to finance the daily operations of the district) was \$865,274 at year end. The amount invested in capital assets was \$245,104 at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$245,104. Capital assets include land, the water system, tanks, and wells, buildings, and equipment costing \$500 or more. There were no additions or deletions to capital assets during 2018. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During the year ended December 31, 2008, the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the District's water lines that were located within the limits of a road construction project on US Highway 425. During 2009, the District was reimbursed for \$293,758 of the project cost through a URAF loan. During 2011, the District received an additional \$34,183 reimbursement of the project cost through URAF. The district made a \$32,795 payment on the loan during 2018. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Operating revenues for 2019 are expected to remain approximately the same as 2018 amounts and 2019 payroll expenses are expected to increase due to salary increases that went into effect in February 2019.

BASIC FINANCIAL STATEMENTS

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

STATEMENT OF NET POSITION
December 31, 2018

ASSETS

Current assets:

Cash	\$405,581
Investments - certificates of deposit	567,863
Receivables	42,375
Inventory	30,213
Total current assets	1,046,032

Noncurrent assets:

Restricted cash	46,030
Property, plant and equipment (net of accumulated depreciation)	245,104
Total noncurrent assets	291,134
Total assets	1,337,166

LIABILITIES

Current liabilities:

Accounts payable	7,718
Payroll withholdings payable	9,034
Sales tax payable	261
Sewer fees payable	1,847
Current portion of URAF loan	32,795

Payable from restricted assets:

Customer deposits	46,241
Total current liabilities	97,896

Long-term liabilities - URAF loan

Total liabilities	128,892
	226,788

NET POSITION

Net investment in capital assets	245,104
Unrestricted	865,274
Total net position	\$1,110,378

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2018

OPERATING REVENUES	
Water sales	\$441,478
Penalties	9,032
Installation and connection fees	8,820
Sewer collection fee	1,249
Other operating revenue	619
Total operating revenues	<u>461,198</u>
OPERATING EXPENSES	
Salaries	189,040
Commissioners per diem	4,140
Payroll tax expense	14,462
Workers compensation insurance	7,287
Employees health insurance	30,723
Maintenance expense	22,577
Auto fuel and maintenance	8,628
Chemicals	2,133
Office expense	10,111
Utilities and telephone	26,171
Insurance	11,022
Legal and accounting	1,636
Postage	3,831
Dues and memberships	500
Taxes, licenses, and permits	460
Depreciation	20,592
Locate fees	202
Total operating expenses	<u>353,515</u>
OPERATING INCOME	107,683
NON-OPERATING REVENUES:	
Interest income	<u>9,635</u>
INCREASE IN NET POSITION	117,318
NET POSITION - BEGINNING	<u>993,060</u>
NET POSITION - ENDING	<u><u>\$1,110,378</u></u>

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$459,197
Customer meter deposits (net)	725
Payments to suppliers	(136,056)
Payments to employees and board	<u>(193,180)</u>
Net cash provided by operating activities	<u>130,686</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Increase in restricted cash	<u>(546)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	9,635
Loan payment	(32,795)
Increase in investments	<u>(4,478)</u>
Net cash used by investing activities	<u>(27,638)</u>

NET INCREASE IN CASH	102,502
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CASH AT BEGINNING OF YEAR	<u>303,079</u>
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CASH AT END OF YEAR	<u><u>\$405,581</u></u>
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Reconciliation of Operating Income to Net Cash**Provided by Operating Activities**

Operating Income	<u>\$107,683</u>
Adjustments:	
Depreciation	20,592
Increase in accounts receivable	(2,001)
Increase in inventory	(101)
Increase in accounts payable	2,198
Increase in payroll withholdings payable	1,668
Decrease in sales tax payable	(330)
Increase in customer meter deposits	725
Increase in sewer fees payable	252
Total adjustments	<u>23,003</u>
Net cash provided by operating activities	<u><u>\$130,686</u></u>

See accompanying notes and independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board of commissioners appointed by the police jury. Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended. The district serves approximately 1,177 customers and has five employees.

GASB Statement No. 14, *The Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, Consolidated Water District No. 2 of Morehouse Parish is considered a component unit of the Morehouse Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net position
3. Statement of revenues, expenses, and changes in net position
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Notes to the Financial Statements

The Consolidated Water District No. 2 of Morehouse Parish is a special-purpose government engaged only in business-type activities.

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

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of Consolidated Water District No. 2 of Morehouse Parish are water sales, penalties, safe drinking water fee, installation and connection fees, sewer collection fee, and other operating income. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash and restricted cash includes amounts in interest-bearing demand deposits. State law limits the district's credit risk by restricting the district's investments to collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2018, the district's investments consists of nonnegotiable certificate of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost. The district's interest rate risk is limited by the investment of funds for periods not to exceed 24 months.

D. Receivables

Accounts receivable consist of amounts due from customers for water service provided prior to year end. Receivables are generally shown net of an allowance for uncollectible accounts. These statements contain no provision for uncollectible accounts. The district is of the opinion that such an allowance would be immaterial in relation to the

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Notes to the Financial Statements

financial statements taken as a whole. Customer accounts are considered past due when they are not paid by the 10th of the month following the month of service. The customer's meter is locked if amount due is not paid by the 25th of the month following the month of service. Unpaid accounts are written off as bad debts when considered uncollectible by the board.

E. Inventory

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

F. Restricted Assets

Certain resources set aside for the refunding of customer meter deposits are classified as restricted assets on the balance sheet because their use is limited. It is the district's policy to use restricted assets first when both unrestricted and restricted assets are available for a specific purpose.

G. Capital Assets

Capital assets, which include land, the water system, tanks, wells, buildings, and equipment are reported in the enterprise fund financial statements. Capital assets purchased by the district are capitalized at historical cost. Donated capital assets are recorded at fair market value on the date of donation. The Consolidated Water District No. 2 of Morehouse Parish maintains a threshold level of \$500 or more and an estimated useful life of five years or more for capitalizing assets. The costs 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

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

	<u>Estimated Lives</u>
Water systems, tanks, and wells	11- 40 years
Buildings and equipment	3-20 years

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Notes to the Financial Statements

H. Compensated Absences

The district's full-time employees earn from 5 to 10 days of vacation leave each year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time salaried employees earn compensatory time for hours worked in excess of 40 each week. The compensatory time earned must be taken within the following year.

I. Long-term Obligations

Long-term debt such as the URAF loan is reported as a liability on the statement of net position.

J. 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 certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2018, the district has cash, restricted cash, and investments (book balances) as follows:

Petty cash	\$200
Interest bearing checking accounts	273,619
Savings accounts	177,792
Investments - certificates of deposit	<u>567,863</u>
Total	<u><u>\$1,019,474</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank and deposited with an unaffiliated 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.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Notes to the Financial Statements

At December 31, 2018, the Consolidated Water District No. 2 of Morehouse Parish had \$1,017,406 in deposits (collected bank balances). These deposits were secured from risk by \$995,656 of FDIC and NCUA insurance resulting in unsecured balances of \$21,750 at one financial institution.

3. RECEIVABLES

At December 31, 2018, the district has net receivables of \$42,375 as follows:

Water sales	\$42,375
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$42,375</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018, is as follows:

	Balance at January 1, 2018	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, 2018
Capital assets not being depreciated:				
Land	\$5,000			\$5,000
Capital assets being depreciated:				
Water system, tanks, and wells	824,438			824,438
Buildings and equipment	146,405			146,405
Total capital assets being depreciated	<u>970,843</u>	NONE	NONE	<u>970,843</u>
Less accumulated depreciation for:				
Water system, tanks, and wells	580,233	14,588		594,821
Buildings and equipment	129,914	6,004		135,918
Total accumulated depreciation	<u>710,147</u>	<u>20,592</u>	NONE	<u>730,739</u>
Total assets being depreciated, net	<u>260,696</u>	<u>(20,592)</u>	NONE	<u>240,104</u>

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Notes to the Financial Statements

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Total assets	<u>\$265,696</u>	<u>(\$20,592)</u>	<u>NONE</u>	<u>\$245,104</u>

Depreciation expense of \$20,592 for the year ended December 31, 2018 was reported in the statement of revenues, expenses, and changes in net position.

5. URAF LOAN

In August 2008 the District entered into an agreement with the State of Louisiana, Department of Transportation (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the district's water lines that are located within the limits of a road construction project on US Highway 425. The agreement provided for a total project cost of \$481,313. The district was to be financially responsible for \$281,108 with the remainder to be funded by the state through a URAF loan. The actual cost of the project was \$539,817. During 2009 and 2011, the district was reimbursed a total of \$327,941 of the project cost through a URAF loan. During 2013, the District received notice from DOTD that their annual minimum repayment due on January 15th of each year was calculated at either 5% of gross income or 10% of the outstanding URAF debt. A payment of \$32,795 was made in January 2018.

The following is a summary of the URAF loan transactions for the year ended December 31, 2018:

URAF loan payable at January 1, 2018	\$194,482
Additions	NONE
Reductions	<u>(32,795)</u>
URAF loan payable at December 31, 2018	<u>\$161,687</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2018:

Current portion	\$32,795
Long-term portion	<u>128,892</u>
Total	<u>\$161,687</u>

The non-interest bearing loan is due as follows:

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 Notes to the Financial Statements

Year Ending December 31,	Total Payment
2019	\$32,795
2020	32,795
2021	32,795
2022	32,795
2023	30,507
Total	\$161,687

6. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

7. SUBSEQUENT EVENTS

Management of the district has evaluated subsequent events through June 25, 2019, the date which the financial statements were available to be issued.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION SCHEDULES

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2018

**SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
AND BOARD OF COMMISSIONERS**

The schedule of compensation, benefits, and other payments to agency head and board of commissioners is presented in compliance with Act 706 of the 2018 Session and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, Consolidated Water District No. 2 of Morehouse Parish commissioners receive \$60 per meeting attended.

SCHEDULE OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD AND BOARD OF COMMISSIONERS
For the Year Ended December 31, 2018

BOARD COMPENSATION

Agency Head - Wyatt Smith - President (Deceased)	\$900
Derrell Bray	900
Douglas Goyne (Deceased)	480
Bud Morrison	840
Doyle Murphy	240
Hubert Williams	<u>780</u>
Total	<u>\$4,140</u>

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2018

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Status of Finding
N/A	2009	Inadequate Segregation of Accounting Duties	Unresolved - see 2018-001 in current year findings.
N/A	2009	Inadequate Controls Over Preparation of Annual Financial Statements	Resolved.

See independent accountant's review report.

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2018

2018-001 Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Cause: Limited number of employees due to the small size of the district.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None.

Management's Response: It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

See independent accountant's review report.

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

The following independent accountant's report on applying agreed upon procedures is presented in compliance with the requirements of the *Louisiana Governmental Audit Guide* and the *Louisiana Attestation Questionnaire*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

BOARD OF COMMISSIONERS
CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
Bastrop, Louisiana

I have performed the procedures enumerated below, which were agreed to by Consolidated Water District No. 2 and the Louisiana Legislative Auditor (the specified parties), on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2018, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The District's management is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. 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.

The procedures and associated findings are as follows:

Public Bid Law

1. Obtain documentation for all expenditures made during the year for materials and supplies exceeding \$30,000, and public works exceeding \$154,450. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.), R.S. 39:1551-39:1775 (the state procurement code) or R.S. 38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

A review was made of all expenditures for the year. There were no expenditures for materials and supplies that exceeded \$30,000 nor any expenditures for public works exceeding \$154,450 made during the year.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the ethics law).

Management provided the requested information.

Consolidated Water District No. 2
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2018

3. Obtain a list of all employees paid during the fiscal year.

Management provided the requested information.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

None of the employees included on the list of employees provided by management for agreed-upon Procedure 3 appeared on the list provided by management in agreed-upon Procedure 2.

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

Management provided the requested information. None of the businesses of board members, employees, and board members' and employees' immediate families appeared as vendors on the list of disbursements.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

The District is not legally required to adopt a budget.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

See agreed-upon Procedure 6.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceed budgeted amounts by 5% or more.

See agreed-upon Procedure 6.

Accounting and Reporting

9. Obtain the list of all disbursements made during the fiscal year. Randomly select six disbursements, and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation and:

Consolidated Water District No. 2
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2018

- (a) Report whether the six disbursements agree to the amount and the payee in the supporting documentation.

Each of the six selected disbursements agreed with the amount and payee in the supporting documentation.

- (b) Report whether the six disbursements were coded to the correct fund and general ledger account.

Each of the six selected disbursements were coded to the correct fund and general ledger account.

- (c) Report whether the six disbursements were approved in accordance with management's policies and procedures.

Each of the six selected disbursements were approved in accordance with management's policies and procedures.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 - 42:28 (the opening meetings law); and report whether there are any exceptions.

Management provided evidence that a notice of each meeting and the accompanying agenda are posted on the gate at the District's office building as required by the open meetings law.

Debt

11. Obtain bank deposit slips for the fiscal year, and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

I scanned all bank deposit slips for the fiscal year and noted no deposits which appeared to be proceeds from bank loans, bonds, or like indebtedness.

Consolidated Water District No. 2
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2018

Advances and Bonuses

12. Obtain a list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.

I scanned payroll disbursements and read the meeting minutes of the District's board of commissioners for the fiscal year. I found no payments or approval for payments to employees that may constitute bonuses, advances, or gifts.

State Audit Law

13. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

The District's report for the year ended December 31, 2017, was submitted prior to June 30, 2018.

14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1.A (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

The District was in compliance with R.S. 24:513 for the year ended December 31, 2017.

Prior Year Comments

15. Obtain and report management's representation as to whether any prior year suggestions, exceptions, recommendations, and/or comments have been resolved.

My prior year report, dated June 6, 2018, included two findings. One of those findings has not been resolved by management.

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 United States Comptroller General. I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's compliance with the foregoing matters. 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.

Consolidated Water District No. 2
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2018

The purpose of this report is solely to describe the scope of testing performed on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Calhoun, Louisiana
June 25, 2019

Louisiana Attestation Questionnaire

The accompanying *Louisiana Attestation Questionnaire* has been completed by management and is included in this report as required by the *Louisiana Governmental Audit Guide*.

M. Carleen Dumas, CPA
369 Donaldson Road
Calhoun, LA 71225

Mrs. Dumas,

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2018 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [] No [] N/A []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone which would constitute a violation of R.S. 42:1101-1124.

Yes [] No [] N/A []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of R.S. 42:1119.

Yes [] No [] N/A []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [] No [] N/A []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [] No [] N/A []

We have filed our annual financial statements in accordance with R.S. 24:514, and R.S. 33:463 where applicable.

Yes [] No [] N/A []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [] No [] N/A []

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1.A (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes [] No [] N/A []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [] No [] N/A []

Meetings

We have complied with the provisions of the Opening Meetings Law, provided R.S. 42:11 through 42:28.

Yes [] No [] N/A []

Debt

It is true that we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60 - 1410.65.

Yes [] No [] N/A []

Advances and Bonuses

It is true that we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [] No [] N/A []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No [] N/A []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [] No [] N/A []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [] No [] N/A []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [] No [] N/A []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [] No [] N/A []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes [] No [] N/A []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [] No [] N/A []

Name

Title

Date