

AVOUELLES WATER COMMISSION
Moreauville, Louisiana

Financial Report

Year Ended December 31, 2017

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KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Avoyelles Water Commission
Moreauville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Avoyelles Water Commission ("Commission"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Avoyelles Water Commission, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 6, 2018

BASIC FINANCIAL STATEMENTS

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Net Position
Proprietary Fund - Enterprise Fund
December 31, 2017

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 673,844
Receivables, net	101,491
Due from other governmental units	7,042
Prepaid items	<u>9,402</u>
Total current assets	<u>791,779</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	723,478
Prepaid land lease	26,364
Capital assets, net	<u>10,437,517</u>
Total noncurrent assets	<u>11,187,359</u>
Total assets	<u>11,979,138</u>

LIABILITIES

Current liabilities:	
Accounts and other payables	8,197
Accrued liabilities	2,430
Payable from restricted assets -	
Notes payable	248,650
Accrued interest payable	<u>21,661</u>
Total current liabilities	280,938
Noncurrent liabilities:	
Notes payable	<u>10,086,541</u>
Total liabilities	<u>10,367,479</u>

NET POSITION

Net investment in capital assets	350,976
Restricted for debt service	453,167
Unrestricted	<u>807,516</u>
Total net position	<u>\$ 1,611,659</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Enterprise Fund
For the Year Ended December 31, 2017

Operating revenues:	
Charges for services -	
Water sales and fees	<u>\$ 1,233,143</u>
Operating expenses:	
Salaries	70,696
Payroll taxes	6,191
Legal and professional fees	10,601
Fuel and oil	588
Contracting services	14,964
Depreciation	521,306
Insurance	20,388
Repairs and maintenance	69,196
Rent and utilities	105,178
Supplies	80,905
Lease expense	303
Other	<u>7,873</u>
Total operating expenses	<u>908,189</u>
Operating income	<u>324,954</u>
Nonoperating revenues (expenses):	
Interest income	1,038
Interest expense	(444,251)
Miscellaneous income	<u>52,132</u>
Total nonoperating revenues (expenses)	<u>(391,081)</u>
Change in net position	(66,127)
Net position, beginning	<u>1,677,786</u>
Net position, ending	<u>\$ 1,611,659</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Cash Flows
Proprietary Fund - Enterprise Fund
For the Year Ended December 31, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 1,220,332
Payments to suppliers	(309,824)
Payments to employees	<u>(78,804)</u>
Net cash provided by operating activities	<u>831,704</u>
Cash flows from capital and related financing activities:	
Purchases and construction of capital assets	(39,060)
Miscellaneous income	52,132
Proceeds from grants	136,386
Interest and fiscal charges paid on long-term debt	(444,751)
Principal paid on long-term debt	<u>(238,342)</u>
Net cash used by capital and related financing activities	<u>(533,635)</u>
Cash flows from investing activities	
Interest received	<u>1,038</u>
Net increase in cash and interest-bearing deposits	299,107
Cash and interest-bearing deposits, beginning of period	<u>1,098,215</u>
Cash and interest-bearing deposits, end of period	<u>\$ 1,397,322</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 324,954
Adjustments to reconcile operating income to net cash provided by operating activities -	
Amortization of land lease	303
Depreciation	521,306
Changes in assets and liabilities:	
Increase in accounts receivable	(12,811)
Increase in prepaid expenses	(1)
Decrease in accounts payables	(130)
Decrease in accrued liabilities	<u>(1,917)</u>
Net cash provided by operating activities	<u>\$ 831,704</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Avoyelles Water Commission (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Commission's accounting policies are described below.

A. Financial Reporting Entity

The Avoyelles Water Commission was created under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing potable drinking water to three municipalities and began operations in 2007. The Commission was created by an intergovernmental agreement formed between the Village of Moreauville, Avoyelles Ward Three Waterworks District and the City of Marksville. The Commission is governed by a board of directors composed of three members. One member is appointed by each of the following governmental entities: the Village of Moreauville, Avoyelles Ward Three Waterworks District and the City of Marksville. Each commissioner serves until replaced by the entity that he or she represents.

B. Basis of Presentation

Fund Financial Statements

The accounts of the Commission are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses, and transfers.

Major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Commission.

Funds not classified as a major fund are aggregate and presented in a single column in the fund financial statements. The Commission maintains only one fund and it is described below:

Proprietary Fund –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary fund maintained by the Commission is the enterprise fund.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Enterprise fund –

The Enterprise Fund is used to report activities for which a fee is charged to external users. This fund accounts 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 the costs (expenses, including depreciation) of providing goods or 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions”.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes for the statement of net position, cash and interest-bearing deposits include all cash on hand, demand accounts, savings accounts, and certificates of deposits of the Water Commission. For the purpose of proprietary fund statement of cash flows, “cash and interest-bearing deposits” include all demand and savings accounts, certificates of deposit and short-term investments with an original maturity of three months or less when purchased.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as its major receivable. This receivable is reported net of an allowance for doubtful accounts if any. At December 31, 2017, all accounts were considered collectible and therefore no allowance was established.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Commission during the year was \$444,251, none of which was capitalized.

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings and distribution system	30-40 years
Equipment	7-10 years

Compensated Absences

The Commission has no set policy for accumulated vacation, sick pay or other benefits. The Commission currently employs four part-time individuals who do not accumulate any vacation or sick leave, therefore, at December 31, 2017, no liability exists for compensated absences.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the financial statements. The long-term debt consists primarily of notes payable.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Commission has no deferred outflows of resources.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Commission has no deferred inflows of resources.

Equity Classifications

In the proprietary fund, equity is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets 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 position consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.
- c. Unrestricted net position consists of all other net assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

It is the Commission's policy to use restricted amounts first when both restricted and unrestricted net position is available unless, prohibited by legal or contractual provisions.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

E. Revenues and Expenses

Operating and Nonoperating Revenues and Expenses

In the proprietary fund, operating revenues are those revenues produced as a result of providing services and producing and delivering goods and/or services. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest expense and losses on disposal of assets.

The principal operating revenues of the Commission's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Expenses

Expenses are classified by function for business-type activities and are further classified as operating and nonoperating.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects or revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Cash and interest bearing-deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered, or the Commission will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

stated at costs, which approximates market. Under state law, 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposits balance (bank balances) at December 31, 2017, and the related federal insurance and pledged securities:

Bank balances	<u>\$ 1,407,498</u>
Insured	\$ 250,000
Uninsured and collateral held by pledging bank not in the Commission's name	<u>1,157,498</u>
Total	<u>\$ 1,407,498</u>

The Commission does not have a policy for custodial credit risk.

(3) Accounts Receivable

Receivables at December 31, 2017 in the amount of \$101,491 were charges for services. The entire amount is considered current.

(4) Restricted Assets

Restricted assets at December 31, 2017 consisted of the following:

Cash and interest-bearing deposits:

Reserve Fund	\$ 361,739
Depreciation and Contingency Fund	<u>361,739</u>
Total enterprise fund restricted assets	<u>\$ 723,478</u>

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

(5) Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Right of ways	165,132	-	-	165,132
Capital assets being depreciated:				
Buildings	49,990	-	-	49,990
Equipment	374,948	39,060	-	414,008
Distribution system	<u>14,523,223</u>	<u>-</u>	<u>-</u>	<u>14,523,223</u>
Total capital assets	<u>15,123,293</u>	<u>39,060</u>	<u>-</u>	<u>15,162,353</u>
Less accumulated depreciation				
Buildings	754	1,494	-	2,248
Equipment	320,586	12,840	-	333,426
Distribution system	<u>3,882,190</u>	<u>506,972</u>	<u>-</u>	<u>4,389,162</u>
Total accumulated depreciation	<u>4,203,530</u>	<u>521,306</u>	<u>-</u>	<u>4,724,836</u>
Capital assets, net	<u>\$ 10,919,763</u>	<u>\$ (482,246)</u>	<u>\$ -</u>	<u>\$ 10,437,517</u>

Depreciation expense was charged to business-type activities in the amount of \$521,306.

(6) Changes in Long-Term Debt

The following is a summary of debt transactions of the Commission for the year ended December 31, 2017:

	Balance Beginning	Additions	Payments	Balance Ending	Due Within One Year
USDA note payable	\$ 6,035,546	\$ -	\$ (115,037)	\$ 5,920,509	\$ 120,011
USDA note payable	<u>4,537,987</u>	<u>-</u>	<u>(123,305)</u>	<u>4,414,682</u>	<u>128,639</u>
Total long-term debt	<u>\$ 10,573,533</u>	<u>\$ -</u>	<u>\$ (238,342)</u>	<u>\$ 10,335,191</u>	<u>\$ 248,650</u>

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Long-term debt payable at December 31, 2017, is comprised of the following issues:

\$6,916,000 USDA note dated December, 2005, bearing interest at 4.25% per annum., secured by pledge of water revenue. Final maturity date, December, 2044.	\$ 5,920,509
\$5,876,000 USDA note dated December, 2005, bearing interest at 4.25% per annum., secured by pledge of water revenue. Final maturity date, December, 2044.	<u>4,414,682</u>
Total note payable at December 31, 2017	<u>\$ 10,335,191</u>

The annual requirements to amortize all debt outstanding at December 31, 2017 is as follows:

Year ending December 31,	Principal	Interest	Total
2018	\$ 248,650	\$ 434,444	\$ 683,094
2019	259,426	423,668	683,094
2020	270,668	412,424	683,092
2021	282,399	400,695	683,094
2022	294,637	388,456	683,093
2023-2027	1,676,152	1,739,312	3,415,464
2028-2032	2,072,230	1,343,234	3,415,464
2033-2037	2,561,901	853,563	3,415,464
2038-2042	1,977,335	332,924	2,310,259
2043-2044	<u>691,793</u>	<u>30,385</u>	<u>722,178</u>
Total	<u>\$ 10,335,191</u>	<u>\$ 6,359,105</u>	<u>\$ 16,694,296</u>

(7) Flow of Funds: Restrictions of Use – Water Revenues

The revenues derived from water sales are partially pledged to retire the USDA notes payable. The resolution of the USDA notes payable requires the establishment and maintenance of the following bank accounts:

Reserve Fund
Depreciation and Contingency Fund

Each month an amount equal to \$2,847 must be deposited into the Reserve Fund until \$683,093 has been accumulated in the Reserve Fund. Also, each month a sum of \$2,847 per month must be deposited into the Depreciation and Contingency Fund until \$683,093 has been accumulated in the

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Depreciation and Contingency Fund. During the year ended December 31, 2017, all monthly transfers were made as required.

(8) Compensation of Board Members

A detail of the compensation paid to commission officials for the year ended December 31, 2017 follows:

President:

Penn Lemoine	P.O. Box 6, Moreauville, LA 71355	(318) 985-2235	\$ 300
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Board Members:

Albin Lemoine	P.O. Box 6, Moreauville, LA 71355	(318) 985-2235	300
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John Lemoine	P.O. Box 6, Moreauville, LA 71355	(318) 985-2235	<u>240</u>
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\$ 840

The President is considered the agency head. The Commission did not pay any benefits on his behalf for the year ended December 31, 2017, except the amount disclosed above.

(9) Economic Dependency

The Commission sells potable water to three governmental agencies. These sales provide the Commission with their total operating revenue. If the Commission were to lose any of these agencies, their ability to continue operations and pay loans owed to USDA would be threatened.

(10) Risk Management

The Commission is exposed to risks of loss in the areas of damage to and destruction of assets, injuries to employees and natural disasters. These risks of loss are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(11) Litigation

There is no litigation pending against the Commission at December 31, 2017.

SUPPLEMENTARY INFORMATION

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Schedule of Insurance in Force
December 31, 2017

Description of Coverage	Asset Covered	Coverage Amount	Insurance Company	Expiration Date
Workmen's Compensation	Employees	\$500,000.00	LWCC	6/18/2018
General Liability	N/A	\$3,000,000	American Alternative Insurance Co.	6/14/2018
Commercial Property	Property	\$1,000,000	American Alternative Insurance Co.	6/14/2018
Auto Insurance	Vehicles	\$1,000,000	American Alternative Insurance Co.	6/14/2018
Bond Insurance	Employees	\$3,000,000	American Alternative Insurance Co.	6/14/2018
Crime Insurance	Property	\$100,000	American Alternative Insurance Co.	6/14/2018
Inland Marine	Equipment	\$25,000	American Alternative Insurance Co.	6/14/2018
Excess Liability	Property	\$1,000,000	American Alternative Insurance Co.	6/14/2018

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Utility Rate Schedule
December 31, 2017

Records maintained by the Commission indicated that the water rates are as follows:

\$2.85 per thousand gallons

**INTERNAL CONTROL, COMPLIANCE
AND OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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*

The Board of Commissioners
Avoyelles Water Commission
Moreauville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and major fund of the Avoyelles Water Commission ("Commission"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 6, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify and deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Avoyelles Water Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 6, 2018

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2017

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2017-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: 2012

CONDITION: The Avoyelles Water Commission does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU-C §265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Penn Lemoine, Board President, has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Commission to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2017

2017-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Avoyelles Water Commission did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that Commission does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Commission agree that a complete segregation of accounting functions would strengthen controls, but with limited current financial resources, we are not able to hire additional personnel at this time.

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2017

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2016-001 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Avoyelles Water Commission does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2017-001.

2016-002 Inadequate Segregation of Functions

CONDITION: The Avoyelles Water Commission did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2017-002.

B. Compliance

2016-003 Minutes of Meetings

CONDITION: The minutes of meetings of the Commission's Board do not include the substance of all matters decided as required by LA-R.S. 42:42:20 (A)(3)

RECOMMENDATION: Management should keep written minutes of all open meetings that include the substance of all matters decided as required by LA-R.S. 42:20(A)(3)

CURRENT STATUS: Resolved.

AVOUELLES WATER COMMISSION
Moreauville, Louisiana

Agreed-Upon Procedures Report

Period Ended December 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Avoyelles Water Commission and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Avoyelles Water Commission and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Avoyelles Water Commission's management is responsible for those C/C identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Reported 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, reported 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, reported whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Bank Reconciliations

- 3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
- 4. Using the listing provided by management, we 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 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and reported whether:

- a) Bank reconciliations have been prepared;
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

- 5. We 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, we selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and reported whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) We 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, we traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported 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, we verified that daily cash collections are completely supported by documentation and report any exceptions.
- 7. We obtained existing written documentation (e.g. policy manual, written procedure) and reported 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.

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

8. We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We obtained management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported 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), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We 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 reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we 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. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We reported any exceptions.

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

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

15. Using the listing prepared by management, we 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.

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

- a) We reported 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.
 - b) We reported 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, we 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).

- a) For each transaction, we reported 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.)
- b) For each transaction, we 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 reported any exceptions.
- c) For each transaction, we 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 reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Travel and Expense Reimbursement

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the entity's written policies related to travel and expense reimbursements. We 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 reported any amounts that exceed GSA rates.

19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) We compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.
 - b) We reported 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).
 - c) We 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).
 - d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger is complete.
21. Using the listing above, we 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). We obtained the related contracts and paid invoices and:
- a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

- If no, we obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.
- c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.
- e) We obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly select five employees/officials, obtained their personnel files, and:
 - a) Reviewed compensation paid to each employee during the fiscal period and reported 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 reported whether those changes were approved in writing and in accordance with written policy.
23. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Reported 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. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, we 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. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

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

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, we obtained ethics compliance documentation from management and reported whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. We reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, we obtained supporting documentation from the entity, and reported whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, we obtained supporting documentation from the entity and reported 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, we obtained supporting documentation and reported whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, we reported any millages that continue to be received for debt that has been paid off.

Other

31. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. We observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If we observed or otherwise identified any exceptions regarding management’s representations in the procedures above, we reported the nature of each exception.

Findings:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies:

The Avoyelles Water Commission does not have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursements, ethics, or debt service.

Bank Reconciliations:

The Avoyelles Water Commission's bank reconciliations did not include evidence of management or board review.

Bank reconciliations for two of the accounts tested were not prepared during the fiscal year.

Collection:

The person responsible for collecting cash is also responsible for depositing cash in the bank, recording the related transaction, and reconciling the related bank account.

Receipts are not given for collections.

For 1 of 3 collections tested, the date variance from collection to deposit was 6 days.

There is no written policy specifically defined to determine the completeness of all collections by a person who is not responsible for collections.

The person responsible for collecting cash is not bonded.

Disbursements:

The Avoyelles Water Commission does not have written documentation indicating that the person responsible for processing payments is prohibited from adding vendors to the disbursement system.

The Avoyelles Water Commission does not have written documentation indicating that the individual with signatory authority has no responsibility for initiating or recording purchases.

A requisition/PO system or equivalent electronic system is not put in place nor are purchase orders approved by someone who did not initiate the purchase.

Credit Cards:

The monthly statement was obtained noting no evidence that the statement and all supporting documentation for purchases was reviewed and approved by someone other than the authorized card holder.

The transactions tested did not include documentation of the public purpose and therefore we were unable to determine if the transaction met the requirements of Article 7 Section 14 of the Louisiana Constitution.

The Avoyelles Water Commission does not have a policy regarding credit cards; therefore, other documentation required by policy and compliance with policy were unable to be tested.

Travel and Expense Reimbursements:

The Avoyelles Water Commission does not have a written policy restricting the travel and expense reimbursement amount to that of the US General Services Administration.

The Avoyelles Water Commission does not have written policies addressing travel and expense reimbursements; therefore, compliance with policy was unable to be tested.

For both travel and expense reimbursements tested, the expense was not approved in writing by someone other than the person receiving the reimbursement.

Payroll:

For 5 of 5 employees tested, employment contracts or salary schedules were unable to be obtained for testing.

Other:

The Avoyelles Water Commission did not have the “fight fraud” sign posted on their premises.

Management’s Response:

Management of the Avoyelles Water Commission concurs with the exceptions and are working to address the deficiencies identified.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 6, 2018