

PINE HILL WATERWORKS DISTRICT NO. 8

Shreveport, Louisiana

FINANCIAL STATEMENTS

July 31, 2019

Marsha O. Millican  
A Professional Accounting Corporation  
Shreveport, Louisiana

PINE HILL WATERWORKS DISTRICT NO .8

Table of Contents

July 31, 2019

		<u>Page</u>
INDEPENDENT AUDITOR'S REPORT		1-2
FINANCIAL STATEMENTS		
Statement of Net Assets	Exhibit A	3
Statement of Activities and Changes in Net Assets	Exhibit B	4
Statement of Cash Flows	Exhibit C	5
NOTES TO FINANCIAL STATEMENTS		6 - 17
SUPPLEMENTAL INFORMATION:		
Schedule of Operating Expense		18
Schedule of Administrative Expense		19
Schedule of Compensation Paid to Commissioners		20
Schedule of Compensation, Reimbursements, and Other Payments to Agency Head		21
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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>		22 - 23
SCHEDULE OF FINDINGS		24 - 25
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS		26



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## Independent Auditor's Report

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Pine Hill Waterworks District No. 8, a component unit of the Caddo Parish Commission, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Hill Waterworks District No. 8, as of July 31, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2020 on my consideration of Pine Hill Waterworks District No. 8 Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pine Hill Waterworks District No. 8's internal control over financial reporting and compliance.



Certified Public Accountant  
January 27, 2020

PINE HILL WATERWORKS DISTRICT NO. 8

EXHIBIT A

Statement of Net Assets

July 31, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 326,523
Accounts Receivable	69,176
Prepaid Expenses	13,534
Total Current Assets	<u>409,233</u>

PROPERTY AND EQUIPMENT (NET)

1,188,000

OTHER ASSETS

Restricted Cash	164,685
Investments	160,580
Utility Deposits	50
Total Other Assets	<u>325,315</u>

Total Assets

\$ 1,922,548

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES (Payable from Current Assets)

Accounts Payable	\$ 35,292
Accrued Compensated Absences Payable	11,035
Accrued Salaries Payable	8,662
Total Current Liabilities (Payable from Current Assets)	<u>54,989</u>

CURRENT LIABILITIES (Payable from Restricted Assets)

Accrued Interest Payable	367
Current Maturities of Long-Term Debt	99,390
Total Current Liabilities (Payable from Restricted Assets)	<u>99,757</u>
Total Current Liabilities	154,746

OTHER LIABILITIES (Payable from Restricted Assets)

Long-Term Debt, Less Current Maturities	730,007
Customer Deposits	163,258
Total Other Liabilities	<u>893,265</u>
Total Liabilities	<u>1,048,011</u>

Net Assets:

Invested in capital assets, net of related debt	347,568
Restricted for debt service	1,428
Unrestricted	525,541
Total Net Assets	<u>874,537</u>

Total Liabilities and Net Assets

\$ 1,922,548

See accompanying notes to financial statements.

## PINE HILL WATERWORKS DISTRICT NO. 8

## Statement of Activities

For the Year Ended July 31, 2019

	<u>Total</u>
SALES	\$ 792,963
OPERATING EXPENSES	<u>603,219</u>
Gross Profit	<u>189,744</u>
GENERAL AND ADMINISTRATIVE EXPENSE	<u>257,122</u>
Change in Net Assets from Operations	<u>(67,378)</u>
OTHER INCOME (EXPENSE)	
Interest Income	333
Interest Expense	<u>(30,572)</u>
Change in Net Assets	(97,617)
NET ASSETS, BEGINNING OF YEAR,	<u>972,154</u>
NET ASSETS, END OF YEAR	<u><u>\$ 874,537</u></u>

The accompanying notes are an integral part of these statements.

## Statement of Cash Flows

For the Year Ended July 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 814,569
Cash payments to suppliers and employees	(719,630)
Net cash provided by operating activities	<u>94,939</u>
CASH FLOWS FROM OTHER SOURCES	
Interest Income	333
Net cash provided from other sources	<u>440</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on long term debt	(34,373)
Proceeds from borrowing	715,907
Principal payments on long term debt	(804,527)
Net cash used by capital and related financing activities	<u>(122,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	(10,474)
Additions to property and equipment	(21,600)
Net cash used by investing activities	<u>(32,074)</u>
Increase (Decrease) in cash	(59,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including restricted cash of \$390,826)	<u>550,896</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (including restricted cash of \$164,685)	<u>\$ 491,208</u>
Reconciliation of changes in net assets to net cash provided by operating activities:	\$ (67,378)
Changes in net assets before other income (expense)	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	123,382
Changes in assets and liabilities	
Decrease in accounts receivable	21,606
Decrease in prepaid expenses	3,805
Increase in accounts payable	919
Increase in accrued salaries payable	1,145
Increase in compensated absences payable	2,760
Increase in customer deposits	8,700
Net cash provided by operating activities	<u>\$ 94,939</u>

The accompanying notes are an integral part of these statements.

## PINE HILL WATERWORKS DISTRICT NO. 8

### Notes to the Financial Statements

July 31, 2019

#### **Introduction:**

The Pine Hill Waterworks District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3811. The purpose of the District is to provide water service to the residents of the District. The District is located north of Shreveport, Louisiana and serves approximately 1634 customers. The District is domiciled at 4922 North Market Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3812. The commissioners of the District serve five year terms.

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

#### **1. Summary of Significant Accounting Policies:**

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

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

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



## PINE HILL WATERWORKS DISTRICT NO. 8

### Notes to the Financial Statements

July 31, 2019

#### 1. Summary of Significant Accounting Policies (Continued):

##### A. Reporting Entity (Continued)

These criteria include:

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

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

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

## PINE HILL WATERWORKS DISTRICT NO. 8

### Notes to the Financial Statements

July 31, 2019

#### 1. Summary of Significant Accounting Policies (Continued):

##### B. Fund Accounting (Continued)

government functions or activities.

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

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

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

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

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

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

## PINE HILL WATERWORKS DISTRICT NO. 8

### Notes to the Financial Statements

July 31, 2019

#### 1. Summary of Significant Accounting Policies (Continued):

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

The amounts reflected in the financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with District activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

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

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

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

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2019

**1. Summary of Significant Accounting Policies (Continued):**

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

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

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

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

## PINE HILL WATERWORKS DISTRICT NO. 8

### Notes to the Financial Statements

July 31, 2019

#### 1. Summary of Significant Accounting Policies (Continued):

- G. Prepaid Expenses- Payments made to vendors for services that will benefit periods beyond July 31, 2019 are recorded as prepaid expenses.
- H. Restricted Assets- Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. The restricted assets are related to bond covenants which require the District to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt, to purchase additional equipment and improvements, and for customers' refundable water deposits.
- I. Estimates -the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
- J. Fund Equity - Equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:
- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - b. Restricted net assets - Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  - c. Unrestricted net assets - Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- K. Risk Management- The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, and workers compensation.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2019

**2. Cash and Cash Equivalents and Investments:**

*Cash and Cash Equivalents:*

As of July 31, 2019, the District had cash and cash equivalents (book balances) totaling \$550,896 as follows:

Cash on hand	\$ 300
Demand Deposits	<u>490,908</u>
	<u>\$ 491,208</u>

*Investments:*

At July 31, 2019, the District had investments (book balances) totaling \$160,580 as follows:

Time deposits	<u>\$ 160,580</u>
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These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the District in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

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

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. At year end, the District had collected bank balances totaling \$670,684, of which \$631,490 were fully protected by federal depository insurance and \$39,194 were collateralized by the pledge of securities.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2019

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

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

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

**3. Receivables:**

As of July 31, 2019, accounts receivable consist of the following:

Water sales - billed	\$ 77,768
Water sales - unbilled	<u>14,330</u>
Total	92,098
Less allowance for uncollectible	<u>(22,922)</u>
Net accounts receivable	<u><u>\$ 69,176</u></u>

**PINE HILL WATERWORKS DISTRICT NO. 8**

Notes to the Financial Statements

July 31, 2019

**4. Capital Assets:**

Capital assets and depreciation activity as of and for the year ended July 31, 2019 for the District is as follows:

	Balance August 1, 2018	Additions	Deletions	Balance July 31, 2019
Capital assets not being depreciated:				
Land	\$ 19,535	\$ -	\$ -	\$ 19,535
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>19,535</u>	<u>-</u>	<u>-</u>	<u>19,535</u>
Capital assets being depreciated:				
Buildings and improvements	112,491	-	-	112,491
Equipment	118,419	-	-	118,419
Distribution system	3,230,153	21,600	-	3,251,753
Total capital assets being depreciated	<u>3,461,063</u>	<u>21,600</u>	<u>-</u>	<u>3,482,663</u>
Less accumulated depreciation for:				
Buildings and improvements	65,221	3,356	-	68,577
Equipment	115,776	2,644	-	118,420
Distribution system	2,009,819	117,382	-	2,127,201
Total accumulated depreciation	<u>2,190,816</u>	<u>123,382</u>	<u>-</u>	<u>2,314,198</u>
Total capital assets - net	<u>\$ 1,289,782</u>	<u>\$ (101,782)</u>	<u>\$ -</u>	<u>\$ 1,188,000</u>

**5. Long-Term Obligations:**

The following is a summary of the long-term obligation transactions for the year ended July 31, 2019.

Bonds and notes payable at July 31, 2019, are comprised of the following individual issues:

	Beginning Balance	Additions	Payments	Ending Balance
Series 2007 Water Revenue Bonds	\$ 755,000	\$ -	\$ (755,000)	\$ -
Revenue Refunding Bonds Series 2019	-	715,907	(27,616)	688,291
URAF Agreement 13572	55,065	-	(9,917)	45,148
URAF Agreement 14132	107,952	-	(11,994)	95,958
	<u>\$ 918,017</u>	<u>\$ 715,907</u>	<u>\$ (804,527)</u>	<u>\$ 829,397</u>



**PINE HILL WATERWORKS DISTRICT NO. 8**

Notes to the Financial Statements

July 31, 2019

**5. Long-Term Obligations (Continued):**

Revenue Bonds:

Revenue Refunding Bonds, Series 2019; interest 3,2% dated April 1, 2019, due in annual installments of \$8,785 May 1, 2019 through December 1, 2026; collateralized by pledge of net revenues	\$ 688,291
Utility Relocation Assistance Funding Agreement 13572 non-interest bearing	45,148
Utility Relocation Assistance Funding, Agreement 14132 non-interest bearing	95,958
	829,397
Less:	
Current portion of long-term debt	(99,390)
Total long-term debt	\$ 730,007

The total annual requirements to amortize bond debt outstanding as of July 31, 2019, including including interest payments of \$85,890 are as follows:

	Principal	Interest	Total
Revenue Refunding Bonds Series 2019			
2020	77,479	27,953	105,432
2021	87,383	18,049	105,432
2022	90,219	15,213	105,432
2023	93,150	12,282	105,432
2024	96,175	9,257	105,432
2025 and after	243,885	3,136	247,021
	\$ 688,291	\$ 85,890	\$ 774,181

**PINE HILL WATERWORKS DISTRICT NO. 8**

Notes to the Financial Statements

July 31, 2019

**5. Long-Term Obligations (Continued):**

URAF Agreement	13572	14132
URAF Agreement 07976:		
2020	\$ 9,916	\$ 11,995
2021	9,916	11,995
2022	9,916	11,995
2023	9,916	11,995
2023	5,484	11,995
2024 and After	-	35,983
	\$ 45,148	\$ 95,958

**6. Restricted Assets:**

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

Revenue refunding bonds are obligations of the District solely secured by a pledge of the net revenues of the water system. The revenue of the water system and the various special depository accounts established by the bond ordinances collateralize the bonds. The bond covenants provide that the revenue of the system is to be used first to pay operating and maintenance of the system and then to meet the funding covenants of the obligations.

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

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

**7. Simplified Employee Pension Plan:**

The District offers a simplified employee pension plan to provide retirement benefits for its employees. Under this plan, the District provides discretionary annual contributions to the individual employee's retirement account (IRA). Participants must be reasonable expected to receive at least \$5,000 in gross salary for the calendar year. The District's contributions to each employee are based on an equal percentage applied to their gross annual earnings. Amounts contributed to the plan for the year ended July 31, 2019 by the District totaled \$4,060.

**PINE HILL WATERWORKS DISTRICT NO. 8**

Notes to the Financial Statements

July 31, 2019

**8. Contingencies and Concentrations:**

Lawsuits

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

Concentrations

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

**9. Operating Leases:**

The District has entered into a month to month operating lease for a plot of land for the production of water. Rental expense under this lease for the year ended July 31, 2019 totaled \$21,541.

**10. Subsequent Events:**

Subsequent events have been evaluated through January 27, 2020, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Operating Expense

Year Ended July 31, 2019

Water Costs	\$ 185,876
Repair & Maintenance	83,292
Salaries and Related Expenses	117,893
Well Site Rental	21,541
Utilities	39,838
Truck & Travel	9,367
Operating Supplies	11,512
Depreciation	120,026
Safe Drinking Water Fees	12,590
Miscellaneous	<u>1,284</u>
Total	<u>\$ 603,219</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Administrative Expense

Year Ended July 31, 2019

Office Salaries and Related Expenses	\$ 125,094
Bad Debts	2,052
Insurance	25,870
Loan Costs	21,121
Utilities and Telephone	15,282
Legal and Accounting	10,469
Postage	6,193
Travel	3,615
Security	719
Meetings - Per Diem	4,860
Repair & Maintenance	3,034
Bank Charges	2,227
Credit Card Fees	4,917
Dues & Memberships	2,646
Computer Expense	10,576
Office Supplies and Expenses	15,091
Depreciation	<u>3,356</u>
Total	<u>\$ 257,122</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Commissioner's Compensation

For the Year Ended July 31, 2019

Michael Walette, President	\$	960
Donna Green		1,140
Anthony Starks		300
Shirley Hamilton		1,020
Homer Norris		900
Leon Samuels		540
		<hr/>
Total	\$	<u>4,860</u>

**PINEHILL WATERWORKS DISTRICT NO. 8**

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

For the Year Ended July 31, 2019

Agency Head: Michael Walette, President

Compensation	\$	<u>960</u>
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# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pine Hill Waterworks District No. 8 (the District) as of July 31, 2019, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 27, 2020.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Pine Hill Waterworks District No. 8's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

A deficiency in internal control exists when the design or operation a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weaknesses and is reported as Finding #2019-1.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Hill Waterworks District No. 8's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported in the accompanying schedule of findings as Finding #2019-2.

Purpose of this Report

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



Certified Public Accountant  
January 27, 2020

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings

Year Ended July 31, 2019

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One deficiency, which is considered to be a material weakness, is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements was disclosed during the audit.

**FINDING #2019-1:**

Criteria: Effective internal control requires segregation of duties.

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

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

Effect: Unknown.

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

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

**FINDING #2019-2:**

Criteria: The covenant of the Revenue Refunding Bonds, Series 2019 requires the District to provide Net Revenues in an amount equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Bonds.

Condition: For the year ended July 31, 2019, the District did not provide Net Revenues in an amount equal to one hundred twenty-five percent of Maximum Annual Debt Service on the Bonds.

Cause: Unknown.

Effect: The District was not in compliance with the covenant of the Revenue Refunding Bonds, Series 2019.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings (Continued)

Year Ended July 31, 2019

**FINDING #2019-2 (Continued)**

Recommendation: I recommend the District comply with the covenant of the Revenue Refunding Bonds, Series 2019.

Management's Response and Corrective Action Taken: We agree with the finding. We will strive to comply with the covenant of the Revenue Refunding Bonds, Series 2019.

**PINE HILL WATERWORKS DISTRICT NO. 8**

Corrective Action Taken on Prior Year Findings

For the Year Ended July 31, 2019

FINDING #2018-1: The segregation of duties is inadequate to provide effective internal control.

STATUS: No action was suggested and none was taken.

FINDING #2018-2: Monthly sales tax returns were not filed on a timely basis on six occasions.

STATUS: Partially Resolved.

FINDING #2018-3: Credit card statements were not paid on time.

STATUS: Resolved.

FINDING #2018-4: Bank reconciliations were not prepared on a timely basis.

STATUS: Resolved.

FINDING #2018-5: Not all Commissioners obtained ethics training.

STATUS: Resolved.

FINDING #2018-6: The liability for customer deposits is not fully funded.

STATUS: Resolved.



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

To the Board of Commissioners  
Pine Hill Water Works District No. 8  
Shreveport, Louisiana

I have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Pine Hill Water Works District No. 8 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal period August 1, 2018 through July 31, 2019. The District's management is responsible for those control and compliance areas identified in the SAUPs.

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

My procedures and associated findings are enumerated below.

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

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1. I obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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 of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).
- 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 insurance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Procedure Results - I noted that the entity has no written policies and procedures for any of the categories listed above except payroll and personnel. This is a repeat exception from the prior two fiscal years.

Management's Response - We will adopt policies and procedures to reflect the above topics.

**Board or Finance Committee**

***(The following procedures were not performed since there were no exceptions in the prior year.)***

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
- c) For governmental entities, obtain the prior year audit and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 individual accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliation include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/ board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure Results - I noted that there is no documented evidence that bank statements and reconciliations were reviewed by a member of management with no involvement in the transactions associated with the bank accounts. This a repeat exception from the prior fiscal year.

Management's Response - We will correct the exception noted above.

### ***Collections***

---

*(The following procedures were not performed since there were no exceptions in the prior year.)*

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:



- a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - I noted that collections were not deposited within one business day. Of the 40 collection dates tested, 17 were not deposited the next business day. The longest lapse between collection and deposit was four days. This is a repeat exception from the prior fiscal year.

Management's Response - We will make deposits the next business day.

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

***(The following procedures were not performed since there were no exceptions in the prior year.)***

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).



9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the entity has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved in writing (or electronically approved) by someone other than the authorized card holder.
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure Results - I noted no exceptions.

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

***(The following procedures were not performed since there were no exceptions in the prior year.)***

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

***(The following procedures were not performed since there were no exceptions in the prior year.)***

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly, select 5 contracts (or all contracts if less than 5) from the listing and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change orders, observe that the original contract terms provided for such an amendment.
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

### Payroll and Personnel

*(The following procedures were not performed since there were no exceptions in the prior year.)*

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employee's/official, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly, select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees/officials' authorized pay rates in the employees/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

### Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Results - I noted no exceptions.

*Debt Service*

*(The following procedures were not performed since there were no exceptions in the prior year.)*

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Other*

*(The following procedures were not performed since there were no exceptions in the prior year.)*

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

I was not engaged and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

*Manda O. Millican*

Certified Public Accountant

January 27, 2020



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## MANAGEMENT LETTER

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

In planning and performing my audit of the financial statements of Pine Hill Waterworks No. 8 as of July 31, 2019, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

### Written Policies and Procedures

The District does not have written policies and procedures for the following: Budgeting, Purchasing, Disbursements, Receipts/Collections Contracting, Credit Cards, Travel and Expense Reimbursements, Ethics, and Debt Service.

I recommend the District obtain written policies and procedures for the categories listed above.

Management indicated they will obtain written policies and procedures for the categories listed above.

### Bank Reconciliations

There is no documented evidence that bank reconciliations are reviewed by a board member or member of management with no involvement in the transactions with the bank accounts.

I recommend all bank reconciliations bear written evidence that they have been reviewed by a board member or member of management with no involvement in the transactions involved with the bank accounts.

Management indicated bank reconciliations will be reviewed by a board member or member of management with no involvement in the transactions involving the bank accounts.

### Cash Collections

During my testing of cash collections, it was noted that cash receipts are not deposited within one business day.

I suggest that cash be deposited within one day of collection.

Management indicated that every effort will be made to deposit cash within one day of collection.

I will review the status of the above comment during my next engagement. I have discussed the above with management of the District and management has indicated the recommendations will be implemented.

### Sales Tax and Payroll Taxes

During my testing, I noted that sales tax returns were filed and paid late on three occasions. I also noted that payroll tax deposits were not made on a timely basis on four occasions.

I recommend sales and payroll tax returns be filed by the due date prescribed by the taxing authority.

Management has indicated that sales and payroll tax returns will be filed on a timely basis.

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

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

*Masha O. McLean*

Certified Public Accountant  
January 27, 2020