

Bogue Lusa Waterworks District
Washington Parish Council
Bogalusa, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2017
With Supplemental Information Schedules
(with 2016 summarized comparative information)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Bogue Lusa, LA

I have audited the accompanying financial statements of the business-type activities of the Bogue Lusa Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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. 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 opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Bogue Lusa Waterworks District, as of December 31, 2017, and 2016, and the respective changes in financial position and, where applicable, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-13 and page 33 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bogue Lusa Waterworks District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In my opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of compensation, benefits, and other payments to the agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance, schedule of compensation paid to the Board of Commissioners, and schedule of water rates and number of water customers are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 20, 2018, on my consideration of the Bogue Lusa Waterworks District's internal control over financial reporting and on my testes 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 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 Bogue Lusa Waterworks District's internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, LA
June 20, 2018

Required Supplemental Information
Management's Discussion and Analysis

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 Summarized Comparative Information)**

Introduction

The Bogue Lusa Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in *Footnote 1 – Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation”*.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2017, total assets and deferred outflows of resources were \$2,328,853, and exceeded liabilities and deferred inflows of resources by the amount of \$1,116,670 (i.e., net position). Of the total net position, \$582,368 was unrestricted and available to support short-term operations, with \$430,293 net investment in capital assets, and \$104,009 restricted for capital activity and debt service.
- For the year ended December 31, 2017, user fee revenues (water sales) increased to \$483,508 as compared to \$492,618 for the fiscal year ending December 31, 2016.
- The District's operating expenses, other than depreciation expense, increased 30 percent over the prior year's operating expenses going from \$347,555 to \$451,250 for the year ending December 31, 2017.
- Total long-term debt decreased from \$1,120,000 to \$1,080,000 (before deduction of bond discount) from the prior year due to principal payments made on bonds payable.

Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 Summarized Comparative Information)

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Bogue Lusa Waterworks District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Bogue Lusa Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)**

**Condensed Statements of Net Position
2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 763,299	\$ 826,276	\$ (62,977)	-8%
Capital Assets	1,501,843	1,502,560	(717)	-1%
Total Assets	<u>2,265,142</u>	<u>2,328,836</u>	<u>(63,694)</u>	-7%
Deferred Outflows of Resources				
Deferred Loss on Refunding	63,711	67,268	(3,557)	-7%
Total Deferred Outflows of Resources	<u>63,711</u>	<u>67,268</u>	<u>(3,557)</u>	-7%
Liabilities:				
Long-Term Debt Outstanding	1,071,550	1,111,103	(39,553)	-7%
Other Liabilities	140,633	92,361	48,272	4%
Total Liabilities	<u>1,212,183</u>	<u>1,203,464</u>	<u>8,719</u>	-6%
Net Position:				
Net Investment in Capital Assets	430,293	391,457	38,836	21%
Restricted for Capital Activity and Debt Service	104,009	103,072	937	-80%
Unrestricted	582,368	698,111	(115,743)	82%
Total Net Position	<u>\$ 1,116,670</u>	<u>\$ 1,192,640</u>	<u>\$ (75,970)</u>	-2.6%

The net decrease in "Current and Other Assets" is primarily related to a net decrease in cash and investments resulting from cash outflows for operations and financing activities including principal and interest payments. The net decrease in "Capital Assets" primarily reflects the depreciation recorded on capital assets of \$96,001 offset by a \$13,111 increase in construction in progress and a \$82,173 addition to machinery and equipment for the fiscal year ending December 31, 2017.

Long term debt decreased related to principal payments of \$40,000. Other liabilities increased due to an increase in accounts payable for \$25,879 and increase of \$6,472 due to the Varnado Waterworks District for contract operations.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 504,654	\$ 511,854	\$ (7,200)	-1%
Nonoperating Revenues	5,655	1,128	4,527	401%
Total Revenues	<u>510,309</u>	<u>512,982</u>	<u>(2,673)</u>	-1%
Expenses:				
Depreciation Expense	96,001	87,158	8,843	10%
Other Operating Expense	451,250	347,555	103,695	30%
Nonoperating Expense	39,028	110,120	(71,092)	-65%
Total Expenses	<u>586,279</u>	<u>544,833</u>	<u>41,446</u>	8%
Changes in Net Position	<u>(75,970)</u>	<u>(31,851)</u>	<u>(44,119)</u>	139%
Beginning Net Position	<u>1,192,640</u>	<u>1,224,491</u>	<u>(31,851)</u>	-3%
Ending Net Position	<u>\$ 1,116,670</u>	<u>\$ 1,192,640</u>	<u>\$ (75,970)</u>	-6%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Bogue Lusa Waterworks District is being conservatively managed.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) decreased by 1% primarily due to the decrease in water sales of \$8,735. Nonoperating Revenues increase was primarily due to increases in interest income.

Total operating expenses, other than depreciation, increased by 30% related to various individual operating expense fluctuations. The most significant fluctuations were: Contract labor increased \$64,474, repairs and maintenance increased \$23,524 and bad debt increase \$12,711. Non-operating expenses decreased due to bond issuance costs incurred in 2017 for the Water Revenue Refunding Bonds Series 2016 of \$64,686.

The District's net position decreased \$(75,970) (change in net position) for the fiscal year ending December 31, 2017.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)**

Budgetary Highlights

Bogue Lusa Waterworks District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule," as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2017

	Budget Year ended December 31, 2017	Actual Year ended December 31, 2017	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 511,850	\$ 504,654	\$ (7,196)
Nonoperating Revenues	7,900	5,655	(2,245)
Total Revenues	<u>519,750</u>	<u>510,309</u>	<u>(9,441)</u>
Expenses:			
Depreciation	90,000	96,001	(6,001)
Other Operating Expense	439,090	451,250	(12,160)
Nonoperating Expense	57,000	39,028	17,972
Total Expenses	<u>586,090</u>	<u>586,279</u>	<u>(189)</u>
Change in Net Position	<u>\$ (66,340)</u>	<u>\$ (75,970)</u>	<u>\$ (9,251)</u>

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
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Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes not included within other sections of the Management's Discussion and Analysis.

General Operating Data

**Schedule of Water Customers
As of December 31, 2017 and 2016**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,395	1,387	8
Commercial	30	30	-
School	1	1	-
Total Customers	<u>1,426</u>	<u>1,418</u>	<u>8</u>

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2017 and 2016.

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 34,720	\$ 34,981	\$ (261)
31-60 Days Past Due	4,793	6,214	(1,421)
61-90 Days Past Due	312	2,923	(2,611)
Over 90 Days Past Due	<u>(4,706)</u>	<u>(723)</u>	<u>(3,983)</u>
Subtotal	35,119	43,395	(8,276)
Unbilled Accounts Receivable	16,817	16,255	562
Allowance for Uncollectible Accounts	<u>(3,225)</u>	<u>(2,267)</u>	<u>(958)</u>
Net Accounts Receivable	<u>\$ 48,711</u>	<u>\$ 57,383</u>	<u>\$ (9,234)</u>

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2017, Bogue Lusa Waterworks District had \$1,501,843 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment in water meters, storage and other equipment, such as office equipment, and maintenance equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 38,025	\$ 38,025	\$ -	0%
Buildings and Improvements	231,387	231,387	-	0%
Furniture, Fixtures, and Equipment	197,199	125,343	71,856	57%
Vehicles	39,361	39,361	-	0%
Utility System	3,502,168	3,491,851	10,317	0%
Construction in Progress	74,706	61,595	13,111	21%
Subtotal	<u>4,082,846</u>	<u>3,987,562</u>	<u>95,284</u>	<u>2%</u>
Less: Accumulated Depreciation	<u>(2,581,003)</u>	<u>(2,485,002)</u>	<u>(96,001)</u>	<u>4%</u>
Net Capital Assets	<u>\$ 1,501,843</u>	<u>\$ 1,502,560</u>	<u>\$ (717)</u>	<u>0%</u>

The net decrease in "Capital Assets" primarily reflects the depreciation recorded on capital assets of \$96,001 offset by a \$13,111 increase in construction in progress and a \$82,173 addition to machinery and equipment for the fiscal year. During the year ending December 31, 2017 the Washington Parish Council began a water well project funded by a Louisiana Community Development Block Grant. The LCDBG will fund a portion of the total estimated cost of the project (\$750,000) and the applicant is responsible for paying a portion of the estimated costs of the project related to engineering, inspection, and administration (\$121,125). The District is paying the applicant's portion of the project. Upon completion, the asset will be transferred to the District. The District recorded \$74,706 in construction in progress for expenses incurred on the project in 2017.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)**

Long-Term Offerings

A summary of long term debt is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total Long-Term Debt	\$ 1,071,550	\$ 1,111,103
Long Term	1,026,550	1,071,103
Long Term Debt - Current	45,000	40,000
 Total Net Assets	 1,116,670	 1,192,640
 Total Long-Term Debt to Net Assets Ratio	 0.96	 0.93

During the year ending December 31, 2016, the District issued \$1,080,000 in Water Revenue Refunding Bonds, Series 2016 at a discount of \$8,934 for the purpose of refunding the outstanding 1993 and 1998 water revenue bonds and \$645,000 of the outstanding 2011 water bonds (those maturing in years 2019 to 2036), funding a reserve fund, and paying the costs of issuance of the bonds. The District refunded the outstanding \$184,459 in Series 1993 water revenue bonds and \$308,308 in 1998 water revenue bonds. Additionally, \$691,325 of the bond proceeds plus \$10,941 of reserve funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2019 to 2036 debt service payments on the 2011 water revenue bonds. These bonds mature July 1, 2021, and thereafter will be called on July 1, 2018, at a price equal to the principal amount thereof (\$645,000) plus accrued interest to the call date. As a result, \$645,000 of the 2011 water bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017. Long term debt decreased related to principal payments of \$520,528 and advanced refunding of \$645,000 of debt paid to an escrow agent, partially offset by proceeds from long term debt of \$1,080,000 for the 2016 revenue refunding bonds. Bond proceeds were offset by bond discount of \$8,934 for the 2016 revenue refunding bonds. Total principal payments and advanced refunding on long term debt were offset by the bond discount on refunded debt and bond discount amortization of \$8,897. See further discussion on refunding bond in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use*.

Interest rates for long-term debt range from 2.10% to 5.375%.

Bonds financed for Bogue Lusa Waterworks District require a specific debt to net income ratio of 125%. As noted in *Footnote 7—Flow of Funds, Restrictions on Use*, the District did not meet the required ratio for the fiscal year ended December 31, 2017. The District's debt to net income ratio is 91.25%.

Future Economic Plans

The Bogue Lusa Waterworks District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects.

Requests for Information

The financial report is designed to provide an overview of Bogue Lusa Waterworks District's finances and demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

Financial Statements

Bogue Lusa Waterworks District
Statement of Net Position
As of December 31, 2017
With Comparative Totals as of December 31, 2016

Statement A

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 527,421	\$ 596,896
Accounts Receivable	48,711	58,925
Prepaid Insurance	9,655	9,629
Total Current Assets	585,787	665,450
Restricted Assets		
<u>Cash and Cash Equivalents</u>		
Customer Deposits	46,424	46,501
Bond Reserve	81,030	81,029
Bond Contingency	3,235	1,248
Bond Sinking Account	39,733	24,966
<u>Investments</u>		
Customer Deposits	7,090	7,082
Total Restricted Assets	177,512	160,827
Property, Plant, and Equipment		
Land	38,025	38,025
Construction in Progress	74,706	61,595
Property, Plant, and Equipment, Net	1,389,112	1,402,940
Total Property, Plant, and Equipment	1,501,843	1,502,560
TOTAL ASSETS	\$ 2,265,142	\$ 2,328,837
DEFERRED OUTFLOWS	\$ 63,711	\$ 67,268
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 44,450	\$ 18,571
Other Accrued Payables	22,680	16,036
Total Current Liabilities	67,130	34,608
Restricted Liabilities		
Customer Deposits	56,271	53,588
Revenue Bonds Payable	45,000	40,000
Accrued Interest Payable	17,232	4,166
Total Restricted Liabilities	118,503	97,754
Long Term Liabilities		
Bonds Payable	1,026,550	1,071,103
Total Long Term Liabilities	1,026,550	1,071,103
TOTAL LIABILITIES	\$ 1,212,183	\$ 1,203,464
DEFERRED INFLOWS	\$ -	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 430,293	\$ 391,457
Restricted	104,009	103,072
Unrestricted	582,368	698,111
TOTAL NET POSITION	\$ 1,116,670	\$ 1,192,640

The accompanying notes are an integral part of these financial statements.

Statement B

Bogue Lusa Waterworks District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Water Sales	\$ 483,508	\$ 492,618
Penalties	13,294	12,187
Installation Fees	4,500	3,600
Reconnect Fees	2,150	2,500
Other	1,202	949
Total Operating Revenues	<u>504,654</u>	<u>511,854</u>
Operating Expenses		
Advertising	1,405	1,587
Bad Debts	12,655	(56)
Contract Operations & Maintenance	56,560	54,386
Contract Labor	99,488	35,014
Depreciation	96,001	87,158
Director's Expense	2,200	1,910
Insurance	14,152	14,895
Meter Reading	20,202	17,961
Permit Fees	12,127	2,593
Other	4,538	10,439
Payroll Taxes	2,394	4,575
Professional Fees	23,570	18,875
Repairs & Maintenance	63,788	40,264
Salaries & Wages	30,792	57,940
Supplies- Maintenance	33,683	30,559
Supplies- Office	7,337	8,391
Utilities	60,364	43,819
Vehicle Expense	5,994	4,403
Total Operating Expenses	<u>547,251</u>	<u>434,714</u>
Operating Income (Loss)	<u>(42,597)</u>	<u>77,140</u>
Non Operating Revenues (Expenses)		
Interest Income	1,425	1,106
Interest Expense	(39,028)	(45,434)
Bond Issuance Costs	-	(64,686)
Other Revenues (Expenses)	4,230	22
Total Non Operating Revenues (Expenses)	<u>(33,373)</u>	<u>(108,992)</u>
Change in Net Position	<u>(75,970)</u>	<u>(31,852)</u>
Total Net Position, Beginning	\$ 1,192,640	\$ 1,224,492
Total Net Position, Ending	<u>\$ 1,116,670</u>	<u>\$ 1,192,640</u>

The accompanying notes are an integral part of these financial statements.

Bogue Lusa Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Received from Customers	\$ 503,172	\$ 489,765
Received for Meter Deposit Fees	2,683	5,180
Other Receipts	-	15,159
Payments for Operations	(372,578)	(271,135)
Payments to Employees	(33,186)	(62,515)
Net Cash Provided by Operating Activities	<u>100,091</u>	<u>176,454</u>
Cash Flows from Non Capital Financing Activities		
Other Receipts	4,230	22
Net Cash Provided by Non Capital Financing Activities	<u>4,230</u>	<u>22</u>
Cash Flows from Capital and Related Financing Activities		
Capital Acquisitions	(95,284)	(71,132)
Principal Proceeds from Long Term Debt	-	1,071,066
Payments to Escrow Agent	-	(702,267)
Principal Repayments for Long Term Debt	(40,000)	(520,528)
Debt Issue Cost (Payments)	-	(64,686)
Deferred Outflow and Bond Amortization	(447)	-
Interest Payments for Long Term Debt	(22,805)	(59,057)
Net Cash Provided by Capital and Related Financing Activities	<u>(158,536)</u>	<u>(346,604)</u>
Cash Flows from Investing Activities		
Receipt of Interest	1,425	1,106
Proceeds from sale of Investments	(8)	32,642
Net Cash Provided by Investing Activities	<u>1,418</u>	<u>33,748</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(52,797)	(136,380)
Cash Equivalents, Beginning of Year	750,640	887,020
Cash Equivalents, End of Year	<u><u>\$ 697,843</u></u>	<u><u>\$ 750,640</u></u>
Reconciliation of Cash and Cash Equivalents to the		
Cash and Cash Equivalents, Unrestricted	\$ 527,421	\$ 596,896
Cash and Cash Equivalents, Restricted	170,422	153,744
Total Cash and Cash Equivalents	<u><u>\$ 697,843</u></u>	<u><u>\$ 750,640</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Statement C

Bogue Lusa Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

Reconciliation of Operating Income (Loss) to Net Cash

Operating Income (Loss)	\$ (42,597)	\$ 77,141
Adjustments to Reconcile Operating Income (Loss) to		
Depreciation	96,001	87,158
Accounts Receivable	10,215	(2,853)
Due from Other Governments	6,472	(4,077)
Prepaid Insurance	(26)	1,144
Accounts Payable	25,879	3,220
Accrued Expenses	1,464	9,541
Customer Deposits	2,683	5,180
Net Cash Provided by Operating Activities	<u>\$ 100,091</u>	<u>\$ 176,454</u>

Concluded

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Bogue Lusa Waterworks District
Notes to the Financial Statements
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Introduction

Bogue Lusa Waterworks District was established July 31, 1969, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a five-member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,418 customers as of December 31, 2017. The District's water wells are located southwest of the Bogalusa city limits. The system lines run south to the St. Tammany Parish boundary and west of the Bogalusa city limits for approximately fifteen miles.

Bogue Lusa Water Works District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Bogue Lusa Water Works District is considered a component unit of the Washington Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements or separately reported as a discrete component unit.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* that require capital contributions to the District to be presented as a change in net

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*. As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of

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resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District reported \$67,268 in deferred outflows of resources at December 31, 2017. See *Footnote I—Long-Term Debt Obligations*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

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. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments for the District are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

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F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customer’s meter deposits are also classified as restricted assets.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Equipment	5 - 10 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Water System	15 - 30 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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.

H. Compensated Absences

Employees receive two weeks of paid vacation after being employed for one to five years, and three weeks of paid vacation for six to ten years, increasing to six weeks of vacation for employees with over twenty-one years of service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue one half day per month of employment for sick leave up to a maximum of forty-five days. In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65). Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

The District has previously implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to complement GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now

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expended in the period incurred under GASB 65. The District incurred and expensed \$64,686 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series 2017 in the year ending December 31, 2017. See further discussion on the bond issuance in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* provide guidance on reporting difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 for the purpose of refunding a portion of the District’s outstanding bonds funding a reserve fund and paying the costs of issuance of the bonds. The District reported \$67,268 in deferred outflows of resources at December 31, 2016, related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt during the current year. See further discussion on refunding bond in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use*.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2017 and 2016, the District has cash and cash equivalents (book balances), as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Demand Deposits	\$ 482,090	\$ 565,570
Time & Savings Deposits	122,552	92,765
Louisiana Asset Management Pool (LAMP)	93,201	92,305
Total Cash and Cash Equivalents	<u>697,843</u>	<u>750,640</u>
Certificate of Deposits held in Investments (See Note 3)	<u>7,089</u>	<u>7,082</u>
Total Deposits	<u>\$ 704,932</u>	<u>\$ 757,722</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. 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 pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the District had \$615,206 in deposits other than LAMP (collected bank balances) within three separate banks, consisting of \$482,090 in demand deposits, \$122,551 in

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Notes to the Financial Statements
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time and savings and \$7,090 in certificates of deposits held as investments. Two of the banks were each secured by federal deposit insurance of \$250,000. The remaining banks had deposits of \$278,453. Of this amount, \$250,000 is secured by federal deposit insurance and \$40,000 is secured by pledged securities held by the custodial bank in the name of the fiscal agent bank. The \$40,000 in deposits secured by pledged securities is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, 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 by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments when held are carried at fair market value, with the estimated fair market value based on quoted market prices. The only investments held by the District at December 31, 2017, are the certificates of deposit listed in Note 2. The certificates of deposit are carried at cost which approximates market value.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool, Inc., (LAMP) at December 31, 2017, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

1. **Credit risk:** LAMP is rated AAAM by Standards and Poor's.
2. **Custodial credit risk:** LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. **Concentration of credit risk:** Pooled investments are excluded from the five percent disclosure requirement.
4. **Interest rate risk:** LAMP is designed to be highly liquid to give participants immediate access to their account balances. 2a7-like investment pools are excluded from this disclosure requirement per paragraph

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15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 47 days as of December 31, 2017.

5. **Foreign currency risk:** Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP. That report may be obtained by calling (800) 249-5267.

4. Receivables

The following is a summary of receivables at December 31, 2017 and 2016:

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 34,720	\$ 34,981	\$ (261)
31-60 Days Past Due	4,793	6,214	(1,421)
61-90 Days Past Due	312	2,923	(2,611)
Over 90 Days Past Due	<u>(4,706)</u>	<u>(723)</u>	<u>(3,983)</u>
Subtotal	35,119	43,395	(8,276)
Unbilled Accounts Receivable	16,817	16,255	562
Allowance for Uncollectible Accounts	<u>(3,225)</u>	<u>(2,267)</u>	<u>(958)</u>
Net Accounts Receivable	<u>\$ 48,711</u>	<u>\$ 57,383</u>	<u>\$ (9,234)</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2017, accrued billings amounts were \$16,817, and \$16,255 at December 31, 2016.

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5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2017 is as follows:

	<u>Beginning Balance 12/31/16</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/17</u>
Capital Assets				
Capital Assets - Not Depreciated				
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Construction in Progress	61,595	13,110	-	74,705
Total Capital Assets - Not Depreciated	<u>99,620</u>	<u>13,110</u>	<u>-</u>	<u>112,730</u>
Capital Assets - Depreciated				
Buildings	231,387	-	-	231,387
Equipment	123,493	71,855	-	195,348
Furniture and Fixtures	1,850	-	-	1,850
Vehicles	39,361	-	-	39,361
Utility System	3,491,851	10,317	-	3,502,168
Total Capital Assets - Depreciated	3,887,942	82,172	-	3,970,114
Less Accumulated Depreciation	<u>(2,485,002)</u>	<u>(96,001)</u>	<u>-</u>	<u>(2,581,003)</u>
Total Capital Assets - Depreciated - Net	1,402,940	(13,829)	-	1,389,111
Total Capital Assets, Net	<u>\$ 1,502,560</u>	<u>\$ (719)</u>	<u>\$ -</u>	<u>\$ 1,501,841</u>

The net decrease in Capital Assets primarily reflects the depreciation recorded on capital assets of \$96,001 offset by a \$10,317 increase in construction in progress and a \$87,172 addition to machinery and equipment for the fiscal year. During the year ending December 31, 2017, the Washington Parish Council began the Ralph Road Well Project funded by a Louisiana Community Development Block Grant. The LCDBG will fund a portion of the total estimated cost of the project (\$750,000) and the applicant is responsible for paying a portion of the estimated costs of the project related to engineering, inspection, and administration (\$121,125). The District is paying the applicant's portion of the project. Upon completion, the asset will be transferred to the District. During 2017, the District's board approved the acceptance of a construction bid totaling \$557,650 for the Ralph Road Well Project. The project was accepted by the CDBG. The District recorded \$74,705 in construction in progress for expenses incurred on the project in 2017.

6. Long-Term Obligations

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
2011 Water Revenue Bonds	40,000	-	(20,000)	20,000	20,000
2016 Water Revenue Refunding Bonds	1,080,000	-	(20,000)	1,060,000	25,000
Total Long-Term Debt	<u>1,120,000</u>	<u>-</u>	<u>(40,000)</u>	<u>1,080,000</u>	<u>45,000</u>
Less:					
Unamortized Premium (Discount)	(8,897)	-	447	(8,450)	447
Total Long Term Debt	<u>\$ 1,111,103</u>	<u>\$ -</u>	<u>\$ (39,553)</u>	<u>\$ 1,071,550</u>	<u>\$ 45,447</u>

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 at a discount of \$8,934 for the purpose of refunding the outstanding 1993 and 1998 water revenue bonds and \$645,000 of the outstanding 2011 water bonds (those maturing in years 2019 to 2036), funding a reserve fund, and paying the costs of issuance of the bonds. The District refunded the outstanding \$184,459 in Series 1993 water revenue bonds and \$308,308 in 1998 water revenue bonds. Additionally, \$691,325 of the bond

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proceeds plus \$10,941 of reserve funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2019 to 2036 debt service payments on the 2011 water revenue bonds. These bonds maturing July 1, 2021 and thereafter will be called on July 1, 2018 at a price equal to the principal amount thereof (\$645,000) plus accrued interest to the call date. As a result, \$645,000 of the 2011 water bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017.

Bonds Payable as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Water System \$ 780,000 Series 2011 Revenue Bonds sold privately		
Dated 8/30/2011 due in annual installments of principal and semi-annual interest averaging		
\$ 55,184 per year to 7/1/2036 interest ranging from 4.00% to 5.375%	\$ 20,000	\$ 40,000
Water System \$ 1,080,000 Series 2016 Revenue Refunding Bonds sold privately		
Dated 11/17/2016 due in annual installments of principal and semi-annual interest averaging		
\$ 75,186 per year to 7/1/2036 interest ranging from 2.10% to 3.85%	1,060,000	1,080,000
	\$ 1,080,000	\$ 1,120,000

The annual requirements to amortize all debt outstanding as of December 31, 2017, including interest payments of \$406,321 are as follows:

	2011 Water Revenue Bonds	2016 Water Revenue Refunding Bonds	Total
Year Ending 12/31/17	\$ 780,000	\$ 1,080,000	
2018	20,800	58,664	79,464
2019	-	78,139	78,139
2020	-	77,194	77,194
2021	-	76,249	76,249
2022	-	80,304	80,304
2023 to 2027	-	394,716	394,716
2028 to 2032	-	390,443	390,443
2033 to 2036	-	306,812	306,812
	\$ 20,800	\$ 1,462,521	1,483,321

7. Flow of Funds, Restrictions on Use

In the year 2011, the Water Revenue Bonds Series 1993 and the Water Revenue Bonds Series 1998 were paid off and the remaining bonds were parity bond obligations and consisted of the 1993 Water Revenue Bonds, the 1998 Water Revenue Bonds, and the 2011 Water Revenue Bonds, as described below.

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,000 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$290,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 5.625 percent, maturing on April 8, 2033.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 Summarized Comparative Information)

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 4.75 percent, maturing on December 9, 2038.

On July 27, 2010, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$1,205,000 of revenue bonds for the purpose of constructing and acquiring improvements and extensions to the existing water works system, for funding a debt service reserve fund, and for funding the costs of issuance. On August 30, 2011, \$780,000 of the bonds were sold through a private lender. The bonds are payable with semi-annual interest payments and annual principal payments with annual interest rates varying from 4.0% to 5.375%, and mature on July 1, 2036.

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 for the purpose of refunding the outstanding 1993 and 1998 water revenue bonds and \$645,000 of the outstanding 2011 water bonds (those maturing in years 2019 to 2036), funding a reserve fund, and paying the costs of issuance of the bonds. The bonds were sold to a private lender. The District refunded the outstanding \$184,459 in Series 1993 water revenue bonds and \$308,308 in 1998 water revenue bonds. Additionally, \$691,325 of the bond proceeds plus \$10,941 of reserve funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2019 to 2036 debt service payments on the 2011 water revenue bonds. These bonds maturing July 1, 2021 and thereafter will be called on July 1, 2018 at a price equal to the principal amount thereof (\$645,000) plus accrued interest to the call date. As a result, \$645,000 of the 2011 water bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2016. The District incurred and expensed \$64,686 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series 2016 in the year ending December 31, 2016. The District reported \$67,268 in deferred outflows of resources at December 31, 2016 related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt during the current year.

Due to the refunding of debt, previous debt service of \$1,830,935 was replaced by debt service of \$1,503,729 after refunding, resulting in an increase in cash flow of \$327,206. A recap of the net present value benefits and cash savings for the Water Revenue Refunding Bonds, Series 2016 issue is presented below:

PV Analysis Summary (Gross to Gross) for Water Revenue Refunding Bonds, Series 2016

Gross PV Debt Service Savings	\$	254,599
Contingency Fund Transfer		(184,997)
Transfer from Prior Issue Debt Service Fund		(10,942)
Transfer from Prior DSR Fund		(99,433)
Amount deposited into new DSR Fund		81,029
Release of Contingency Funds		100,000
Additional transfer from DSR Fund		(74,932)
Net Present Value Benefit	\$	<u>65,324</u>
Net PV Benefit / \$1,133,613 Refunded Principal		5.762%
Net PV Benefit / \$1,080,000 Refunding Principal		6.048%

The Series 2016 bonds were issued on a parity with the Series 2011 bonds maturing July 1, 2017, to July 1, 2018. Under the terms of the bonds, the bonds and the outstanding parity bonds are payable as to principal and interest

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 Summarized Comparative Information)

solely from the income and revenues derived from the operation of the combined water system of the District after provision has been made for payment of the reasonable and necessary expenses of operating and maintaining of the system. Total interest expense on all water revenue bonds, for the fiscal year ending December 31, 2017, equaled \$39,028. The gross water revenue recognized during the current period was \$483,508.

Under the terms of the bonds, a "Waterworks Revenue Bond and Interest Sinking Fund" (the "sinking fund") must be maintained with the paying agent for the outstanding parity bonds, sufficient in amount to pay promptly and fully the principal of and the interest on the bonds and outstanding parity bonds. The District must deposit funds into the sinking fund, on or before the twentieth (20th) of each month, a sum equal to the amount of principal and interest accruing on the bonds payable from the sinking fund for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Based on the debt service schedule, the deposit is one-sixth (1/6) of the amount required to make the interest payment on the bonds due on the next interest date plus one-twelfth (1/12) of the amount required to make the principal payment on the bonds due on the next principal date. As of December 31, 2017, the District maintained a balance of \$39,732, meeting the required deposit for the Sinking Fund.

Additionally, a "Series 2011 Waterworks Bond Debt Survive Reserve Fund" (the "Reserve Fund") must be maintained as required by the parity bond resolution (the series 2011 bonds). The money in the reserve fund can only be used to pay principal and interest on the bonds and the outstanding parity bonds. The reserve fund must contain an amount equal to the lesser of (i) 10% of the bond proceeds, the outstanding parity bonds and any additional bonds hereafter issued, (ii) 125% of the average annual debt service on the bonds, the outstanding parity bonds and any additional bonds hereafter issued, (iii) 100% of the maximum annual debt service on the bonds, the outstanding parity bonds and any additional bonds hereafter issued. The Reserve Fund was fully funded at bond closing with a payment of \$81,029, and at December 31, 2017, was fully funded.

Finally, a "Waterworks Depreciation Fund" (the "Contingencies Fund") must be maintained to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system. The District must deposit funds into the contingencies fund, on or before the twentieth (20th) of each month, a sum equal 5% of the amount to be paid into the sinking fund. The payments continue over the life of the bonds. For the fiscal year ended December 31, 2017, the contingencies fund was over funded with a balance maintained of \$3,235. Money in this fund may also be used to pay principal of and interest on any bond for the payment of which there is not sufficient money in the sinking fund or reserve fund, but if so used, such money shall be replaced as soon as possible thereafter out of the earnings of the system after making the required payments into the respective funds and accounts hereinabove set out.

As noted, the Series 2017 bonds were issued in parity with the 2011 bonds. The Series 2017 bonds require the following covenants:

The Issuer, through its governing authority, by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will provide revenues in each fiscal year, funds sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year, the principal and interest maturing on the outstanding parity bonds and the bonds in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide Net Revenues in each fiscal year at least equal to 125% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations secured by or payable from Net Revenues. "Net Revenue," per the applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2017, Net Revenues were computed to be below the 125 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 91.26 percent.

All net revenues any year not required to be paid in such year into any of the noted funds shall be regarded as excess funds and may be used for any lawful corporate purpose.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 Summarized Comparative Information)

8. Restricted Net Position

At December 31, 2017, Bogue Lusa Waterworks District recorded \$104,009 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

9. Litigation and Claims

There is no pending litigation as of December 31, 2017.

10. Intergovernmental Agreement

On January 21, 1995, the Bogue Lusa Waterworks District entered into a one-year service agreement with the Varnado Waterworks District with automatic annual renewals unless one of the parties notifies the other sixty days prior to the anniversary date. The agreement was active for the year ending December 31, 2017.

Under the terms of the agreement, the Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogue Lusa Water Works District. The fee for this service was \$2.25 per customer per month through April, 2010. The fee increased to \$2.35 per customer per month until June of 2012, after which the fee was increased to \$2.60 payable monthly. The actual amount paid to Varnado Water District is adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District.

Under the terms of the agreement, Varnado Waterworks District will also provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogue Lusa Waterworks District \$.35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement, and the actual amount paid to Varnado Water District will be adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

The District incurred \$56,560 in contract operations and maintenance and \$99,488 in contract labor related to the agreement.

11. Subsequent Events

On January 8, 2018, the Board voted to increase the minimum charge for water from \$18 to \$20.

Subsequent events have been evaluated by management through June 21, 2018, the date the financial statements were available to be issued. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017.

Other Supplemental Information

**Bogue Lusa Waterworks District
Budgetary Comparison Schedule
For the Year Ended December 31, 2017**

With Comparative Totals for the Year Ended December 31, 2016

	2017 Budget	2017 Actual	Variance Favorable (Unfavorable)	2016 Actual
Operating Revenues				
Water Sales	\$ 490,000	\$ 483,508	\$ (6,492)	\$ 492,618
Penalties	13,350	13,294	(56)	12,187
Installation Fees	4,700	4,500	(200)	3,600
Reconnect Fees	2,600	2,150	(450)	2,500
Other	1,200	1,202	2	949
Total Operating Revenues	<u>511,850</u>	<u>504,654</u>	<u>(7,196)</u>	<u>511,854</u>
Operating Expenses				
Advertising	1,600	1,405	195	1,587
Bad Debts	500	12,655	(12,155)	(56)
Contract Operations & Maintenance	45,000	56,560	(11,560)	54,386
Contract Labor	101,000	99,488	1,512	35,014
Depreciation	90,000	96,001	(6,001)	87,158
Director's Expense	2,300	2,200	100	1,910
Insurance	15,000	14,152	848	14,895
Meter Reading	20,150	20,202	(52)	17,961
Permit Fees	5,100	12,127	(7,027)	2,593
Other	13,940	4,538	9,402	10,439
Payroll Taxes	2,000	2,394	(394)	4,575
Professional Fees	21,500	23,570	(2,070)	18,875
Repairs & Maintenance	83,000	63,788	19,212	40,264
Salaries & Wages	33,000	30,792	2,208	57,940
Supplies- Maintenance	32,000	33,683	(1,683)	30,559
Supplies- Office	7,500	7,337	163	8,391
Utilities	51,000	60,364	(9,364)	43,819
Vehicle Expense	4,500	5,994	(1,494)	4,403
Total Operating Expenses	<u>529,090</u>	<u>547,251</u>	<u>(18,161)</u>	<u>434,714</u>
Operating Income (Loss)	<u>(17,240)</u>	<u>(42,597)</u>	<u>(25,357)</u>	<u>77,140</u>
Non Operating Revenues (Expenses)				
Bond Issuance Costs Incurred	-	-	-	(64,686)
Interest Income	1,100	1,425	325	1,106
Interest Expense	(57,000)	(39,028)	17,972	(45,434)
Other Revenues (Expenses)	6,800	4,230	(2,570)	22
Total Non Operating Revenues (Expenses)	<u>(49,100)</u>	<u>(33,373)</u>	<u>15,727</u>	<u>(108,992)</u>
Change in Net Position	<u>(66,340)</u>	<u>(75,970)</u>	<u>(9,630)</u>	<u>(31,852)</u>
Total Net Position, Beginning	1,192,640	1,192,640		1,224,493
Total Net Position, Ending	<u>\$1,126,300</u>	<u>\$ 1,116,670</u>	<u>\$ (9,630)</u>	<u>\$ 1,192,641</u>

See independent auditor's report.

Schedule 2

Bogue Lusa Waterworks District
Schedule of Insurance
For the year ended December 31, 2017

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
CNA Surety Company 18274192	Fidelity Bond:		7/6/2017 to 7/6/2018
	President	\$ 100,000	
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
American Alternative Insurance Company GPPA-PF-6052755-06	Commercial General Liability:		10/16/2017 to 10/16/2018
	General Aggregate	3,000,000	
	Each Occurrence	1,000,000	
	Products / Completed Oper. Aggregate	3,000,000	
	Personal & Advertising Injury	1,000,000	
	Damage to Premises Rented	1,000,000	
	Medical Expense	10,000	
	Crime Coverage	10,000	
	Cyber Liability	1,000,000	
	Excess Liability	2,000,000	
	Property	899,184	
	Equipment	500,000	
	Business Automobile:		
	Liability	1,000,000	
Uninsured Motorist	1,000,000		
Comprehensive	As scheduled		
Collision	As scheduled		
Medical Payments	5,000		
Louisiana Workers Compensation Corp 116143-A	Workers Compensation:		2/1/2017 to 2/1/2018
	Each Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See independent auditor's report.

Schedule 3

**Bogue Lusa Waterworks District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2017**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Howard Stewart, President (985) 735-6424	11175 Pine Ridge Road Bogalusa, LA 70427	\$ 600	12/31/18
Jim Willis, Vice-President (985) 732-3040	29081 Louisiana Highway 1074 Bogalusa, LA 70427	440	12/31/21
Leo Mickenheim (985) 732-4888	18180 Wells Road Bogalusa, LA 70427	320	12/31/22
Carolyn Bridges (985) 732-3762	103 Red Bird Lane Bogalusa, LA 70427	440	12/31/19
Deborah Baughman (985) 516-1391	57573 Spring Valley Road Bogalusa, LA 70427	400	12/31/20
		<u>\$ 2,200</u>	

See independent auditor's report.

Schedule 4

**Bogue Lusa Waterworks District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2017**

Agency Head Name: Howard Stewart, President

<u>Purpose</u>	<u>Amount</u>
Per Diem - Board Member	\$ 600

See independent auditor's report.

Bogue Lusa Waterworks District
Schedule of Water Rates
For the year ended December 31, 2017

Water	
Residential Rates	Commercial Rates
\$ 18.00 - First 2,000 Gallons	\$ 49.00 - First 15,000 Gallons
2.75 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 3.00 - Per 1,000 Gallons of Water over 15,000 Gallons

Schedule of Water Customers
As of December 31, 2017 and 2016

	December 31, 2017	December 31, 2016	Increase (Decrease)
Customers			
Residential	1,395	1,387	8
Commercial	30	30	-
School	1	1	-
Total Customers	1,426	1,418	8

See independent auditor's report.

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company
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Member
AICPA

Member
LCPA

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

To the Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Varnado, LA

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 Bogue Lusa Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Bogue Lusa Waterworks District's basic financial statements and have issued my report thereon dated June 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Bogue Lusa Waterworks District'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 District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bogue Lusa Waterworks District'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 entity'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 my audit, I did not identify any deficiencies in internal control that I consider material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bogue Lusa Waterworks District's financial statements are free from 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. It is described in finding 2017-1 in the accompanying schedule of findings and responses.

Bogue Lusa Waterworks District, Louisiana's Response to Findings

The Bogue Lusa Waterworks District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Bogue Lusa Waterworks District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I 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.

Minda Raybourn

Franklinton, Louisiana
June 20, 2018

Bogue Lusa Waterworks District, Louisiana
Schedule of Current Year Audit Findings
For the Year Ended December 31, 2017

Section 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes

No

Significant deficiencies identified that are not
considered to be material weaknesses?

Yes

No

Noncompliance material to the financial statements note?

Yes

No

Bogue Lusa Waterworks District, Louisiana
Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2017

Section 2—Compliance Findings

2017-1 Compliance with Bond Covenants

CRITERIA: The rate covenants for the "Water Revenue Refunding Bonds, Series 2016, specify: "The issuer, through its Governing Authority by proper resolutions and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each Fiscal Year, the principal and interest maturing on the Outstanding Parity Bonds and the Bonds in each Fiscal Year and all other payments required for such Fiscal Year with respect thereto and as will provide Net Revenues in each fiscal year at least equal to 125% of the principal and interest falling due in such Fiscal Year on the Bonds, the Outstanding Parity Bonds, and any additional parity bonds or other obligations secured by or payable from the Net Revenues."

CONDITION: At December 31, 2017, the District's net revenue coverage was 91.25%.

CAUSE OF CONDITION: The District had an increase in operating expense of \$112,537 while operating revenues decreased \$7,200.

EFFECT OF CONDITION: The District was not compliance with the bond covenants.

RECOMMENDATION: The District should monitor its net revenue requirements through the year and not just at year end. In January 2018, the District raised the minimum billing of water sales from \$18 to \$20. It should consider reviewing rates each year to ensure adequate coverage of the requirements of its bond agreement.

CLIENT RESPONSE: We will put in place procedures to follow the auditor's recommendation.

Bogue Lusa Waterworks District, Louisiana
Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2017

Section 2-Compliance Findings

2016-1 Pledged Collateral for Cash Accounts

CRITERIA: Per Louisiana Revised Statute 39:1218, collateral pledged by a depositing authority must be sufficient to protect the cash of the District.

CONDITION: At December 31, 2016, collateral at one financial institution was insufficient to protect the deposits of the District.

CAUSE OF CONDITION: Collateral at the end of the year December 31, 2016, for the District was not sufficient to protect the deposits and was not detected until the current fiscal year of 2016. This was also a repeat finding for the prior fiscal year.

EFFECT OF CONDITION: Collateral is insufficient to protect the cash of the District. Cash deposits at one bank were insufficient by \$25,334.

RECOMMENDATION: The District needs to notify the financial institution of the deficiency in pledged collateral and to monitor the pledged reports against the collected bank balances on a monthly basis.

CLIENT RESPONSE: We will put in place procedures to follow the auditor's recommendation.

STATUS: This finding is resolved.

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

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

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

June 22, 2018

To the Board of Commissioners
Bogue Lusa Waterworks District
26070 Hwy. 21
Varnado, LA

And Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Bogue Lusa Waterworks District (the District or the Entity) 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 Entity's management is responsible for those C/C 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 applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
The District has written policies and procedures regarding budgeting.
 - 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.

The District has written policies and procedures regarding purchasing. While the procedures and policies in place require purchase orders, the District stopped using purchase orders years ago.

- c) **Disbursements**, including processing, reviewing, and approving.

The District has written policies and procedures regarding disbursements.

- d) **Receipts**, including receiving, recording, and preparing deposits.

The District has written policies and procedures regarding receipts.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The District has payroll procedures in place which cover the maintenance and labor contract with Varnado Water Works. The agreement is an intergovernmental arrangement that has been in place for several years. However, there are no policies and procedures in place regarding the District's own employees.

- 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.

The District does not have written policies and procedures addressing contracts.

- 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.

The District does not use credit cards, debit cards, fuel cards, or P-Cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The District does not have policies and procedures in place for travel and expense reimbursement.

- 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.

The District does have written policies and procedures regarding ethics prohibitions. It does not address violations, monitoring, or requirements on reading the ethics policy.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have written policies and procedures regarding debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report 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.

The District holds board meetings each month.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The District's board minutes included monthly budget to actual comparisons. The District's funds did not show a fund balance deficit for any of the funds.

- c) Report 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.

The District minutes referenced non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A listing of client bank accounts and management's representation the listing is complete were obtained.

- 4. Using the listing provided by management, select 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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report 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.

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts. The District uses an external accountant to review and reconcile the bank accounts.

- 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.

Management has documentation and has reviewed items that have been outstanding for more than 6 months at the end of the fiscal year.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

A listing of cash collection locations and management's representation that the listing is complete were obtained.

- 6. Using the listing provided by management, select 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). If

there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report 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.

The District has an office manager and one clerk that handle cash collections. In the cash collection location selected, both employees are responsible for collecting cash and recording transactions in the utility billing system. The District has an external accountant that records transactions to the general ledger. The office manager deposits the funds into the bank account. The District has one cash drawer that is shared. Both employees are bonded.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report 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.

There is a formal written process to reconcile cash collections to the general ledger by revenue source, by a person who is not responsible for cash collections.

- c) Select 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, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The highest (dollar) week of cash collections for the one collection location was obtained along with collection documentation, deposit slips, and bank statements. All collections were deposited by the next business day.

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

All collections were completely supported by documentation for the location tested.

7. Obtain existing written documentation (e.g., policy manual, written procedure) and report 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.

The District does not have written policies or procedures that documents a process to determine completeness of all collections for each revenue source. The District uses an external accountant to reconcile the general ledger with utility billing at month end.

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

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

The general ledger was obtained and sorted and filtered for disbursements. Management's representation that the population is complete were obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report 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.

While the procedures and policies in place require purchase orders, the District stopped using purchase orders years ago.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

While the procedures and policies in place require purchase orders, the District stopped using purchase orders years ago.

- 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.

All payments selected and tested had an approved invoice or receipt of goods purchased. The District does not use purchase orders.

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

The office manager is responsible for processing payments. The District uses an external accountant to record purchases and add vendors to the accounting system.

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

The District does have written documentation which states the systems manager can approve purchase orders. However, the District stopped using purchase orders years ago. The systems manager has approval to initiate purchases. The District's office manager signs the check along with one board member who has no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Inquiry and observations of management indicated that unused check stock is maintained in a locked location.

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

The District does not use signature stamps or a signature machine. Once checks are signed, they are mailed by the clerk the same day.

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

14. Obtain 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. Obtain management's representation that the listing is complete.

The District does not use credit cards, debit cards, fuel cards, or P-cards.

15. Using the listing prepared by management, randomly select 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. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The District does not use credit cards, debit cards, fuel cards, or P-cards.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select 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) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The District does not use credit cards, debit cards, fuel cards, or P-cards.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

The District does not use credit cards, debit cards, fuel cards, or P-cards.

16. Using the monthly statements or combined statements selected under #15 above, obtain 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, report whether the transaction is supported by:

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

The District does not use credit cards, debit cards, fuel cards, or P-cards.

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

The District does not use credit cards, debit cards, fuel cards, or P-cards.

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

The District does not use credit cards, debit cards, fuel cards, or P-cards.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The District does not use credit cards, debit cards, fuel cards, or P-cards.

- c) For each transaction, compare 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., cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The District does not use credit cards, debit cards, fuel cards, or P-cards.

Travel and Expense Reimbursement

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

The general ledger was sorted and filtered for travel reimbursements. Management's representation that the general ledger is complete were obtained.

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

The District does not have written policies relating to travel and expense reimbursements.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain 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) Compare expense documentation to written policies and report 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, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

While the District does not have policies regarding travel and expense reimbursements, the amounts paid did not exceed GSA rates.

- b) Report 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.]

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

There were no exceptions noted as a result of applying this procedure.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no exceptions noted as a result of applying this procedure.

Contracts

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

The general ledger was obtained and sorted and filtered for contract payments. Management's representation that the general ledger is complete were obtained.

- 21. Using the listing above, select 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). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

The District had written contracts that supported the service arrangements and payments.

- b) Compare 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, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

The meter reading contract had an increase of \$0.03 per meter in which the original contract appears to take into consideration amendments.

The contract for the new water well was amended once. The cost of \$53,963 to increase the capacity of the new water well, upsize the well discharge piping and pump column size, and relocate the new well discharge. The original contract appears to take in to consideration amendments.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

There were no exceptions noted as a result of applying this procedure.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

There were no exceptions to this procedure.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

A listing of employees with their related salaries and management's representation that the listing is complete were obtained. The District had one employee whom resigned. A new employee was hired after that.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

There were no exceptions noted as a result of applying this procedure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

There were no changes to hourly pay rates during the fiscal period.

- 23. Obtain 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, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All selected employees did have daily attendance and leave documented.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

The selected employees did have written documentation that the supervisor approved the attendance and leave.

- c) Report 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.

The District did maintain complete written documentation of leave records on the selected employees.

- 24. Obtain 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, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

One employee had 40 hours paid for vacation leave as part of his last pay check. The District does not have a policy regarding termination pay.

- 25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report 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.

There were no exceptions noted as a result of applying this procedure.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

A search was performed on the Louisiana Board of Ethics for training. The employee did not have the required ethics training completed.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review 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. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

- 28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No new debit was issued during the fiscal period.

- 29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

There were no exceptions to this procedure.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The District no tax millages relating to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report 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.

The District does have the required notices posted on its premises and website.

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

No exceptions were noted as a result of applying this procedure.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

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 result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Melissa Kuznetsov

Franklinton, LA
June 22, 2018