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M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

May 11, 2018

Louisiana Legislative Auditor
Engagement Manager

My audit report for Southwest Ouachita Waterworks, Inc., dated April 30, 2018, was reissued due to a mathematical error on page 6 of the financial statements that resulted in total assets being overstated. The error has been corrected in the attached financial statements.

Respectfully submitted,

/s Carleen Dumas

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 23 2018

Member of the American Institute of Certified Public Accountants
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REISSUE

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2017

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2017

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SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Financial Statements
As of and for the Year Ended December 31, 2017

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M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Independent Auditor's Report

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Ouachita Waterworks, Inc., as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Insurance Policies in Force has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 30, 2018, on my consideration of Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and on my tests of the it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwest Ouachita Waterworks, Inc.'s 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 Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and compliance.

/s Carleen Dumas
Calhoun, Louisiana
April 30, 2018

FINANCIAL STATEMENTS

Statement A**SOUTHWEST OUACHITA WATERWORKS, INC.**
West Monroe, Louisiana**STATEMENT OF FINANCIAL POSITION**
December 31, 2017**ASSETS**

Current assets:

Cash	\$67,107
Accounts receivable (net of allowance for uncollectible accounts)	<u>249,075</u>
Total current assets	316,182

Cash - designated for:

Customer meter deposits	93,430
Debt service	840,103
Capital additions and contingencies	178,092
Construction	<u>1,101</u>
Total designated cash	<u>1,112,726</u>

Property, plant, and equipment (net of accumulated depreciation)	<u>4,378,260</u>
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TOTAL ASSETS	<u><u>\$5,807,168</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$201,121
Customer meter deposits	95,835
Current portion of loans payable	<u>322,284</u>
Total current liabilities	619,240

Long-term liabilities - loans payable	<u>2,763,242</u>
Total liabilities	3,382,482

Net assets - unrestricted	<u>2,424,686</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$5,807,168</u></u>
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See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Operating Revenues:	
Water fees	\$1,762,757
Meter installation fees	17,225
Late charges	63,300
Reconnection and tamper fees	40,590
Other revenue	3,342
Total operating revenues	<u>1,887,214</u>
Operating Expenses:	
Accounting	4,000
Auto expense and mileage	46,374
Bad debts and collection expense	23,977
Bank charges	20,590
Billing expense	45,856
Chemicals	44,284
Commissioners fees	16,200
Contract labor	71,483
Depreciation	67,507
Employee health insurance	62,921
Installations - labor and material	7,539
Insurance	37,327
Janitorial service	2,600
Lab testing	740
Legal expense	370
Maintenance	5,497
Miscellaneous	25,119
Office supplies	15,736
Payroll taxes	28,219
Permits and licenses	2,732
Postage	1,839
Repairs	75,471
Salaries	356,265
Utilities	133,501
Total operating expenses	<u>1,096,147</u>
Operating Income	<u>791,067</u>
Non-Operating Revenue (Expenses):	
Lease income	4,080
Interest expense	(37,501)
Total non-operating revenue (expenses)	<u>(33,421)</u>
Loan principal forgiveness	500,000
Loss on disposal of capital assets	<u>(1,589,908)</u>
Decrease in Net Assets	(332,262)
Net Assets at Beginning of Year	<u>2,756,948</u>
Net Assets at End of Year	<u>\$2,424,686</u>
See accompanying notes.	

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	(\$332,262)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	67,507
Increase in accounts receivable	(19,703)
Increase in accounts payable	17,869
Increase in customer deposits	8,059
Lease income	(4,080)
Loan principal forgiveness	(500,000)
Loss on disposal of capital assets	1,589,908
Interest expense	37,501
Total adjustments	1,197,061
Net cash provided by operating activities	864,799

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(549,182)
Interest on long-term debt	(52,933)
Purchase and construction of capital assets	(2,969,361)
Proceeds from sale of capital assets	12,487
Proceeds from sale of right-of-way	3,847
Loan proceeds	2,714,702
Net cash used by financing activities	(840,440)

CASH FLOWS FROM INVESTING ACTIVITIES

Lease income	4,080
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NET INCREASE IN CASH

28,439

CASH AT BEGINNING OF YEAR

1,151,394

CASH AT END OF YEAR\$1,179,833**Reconciliation of cash per statement of cash flows to
cash per statement of financial position:**

Cash	\$67,107
Designated cash	1,112,726
Total cash	\$1,179,833

See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Southwest Ouachita Waterworks, Inc., is a nonprofit organization domiciled in West Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Southwest Ouachita Waterworks, Inc. provides water to approximately 3,365 members residing within the territorial boundaries of the water system and has 10 employees.

B. RECEIVABLES

Accounts receivable consist of amounts due from members for water service provided prior to year end and an amount due from Ouachita Parish Police Jury for an overpayment of construction costs. Receivables are reported net of an allowance for uncollectible accounts that is an estimate based on historical collection percentages and management's evaluation of the amount of outstanding receivables that are considered uncollectible. Water service is cut-off for customers with two months water service in arrears. Past due accounts are written off when they are considered uncollectible by management.

C. FIXED ASSETS

The cost of the original water system, major improvements to the water system, land, construction in progress, and vehicles and equipment costing \$500 or more are capitalized and recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water system and the improvements and 5 to 15 years for vehicles and equipment. Depreciation expense for the year ended December 31, 2017 was \$67,507.

D. INCOME TAX STATUS

Southwest Ouachita Waterworks, Inc., is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Notes to the Financial Statements (Continued)

The water system's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2017:

Total interest cost expensed	\$37,501
Total interest cost capitalized	<u>15,432</u>
Total interest costs incurred	<u>\$52,933</u>

G. FUNCTIONAL ALLOCATION OF EXPENSES

Southwest Ouachita Waterworks, Inc.'s only activity is to provide water service to its members. All costs incurred by Southwest Ouachita Waterworks, Inc., are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2017, Southwest Ouachita Waterworks, Inc. had cash as follows:

Cash on hand	\$925
Non-interest-bearing checking accounts	<u>1,178,908</u>
Total	<u>\$1,179,833</u>

Cash (bank balances) in the amount of \$1,209,930, at December 31, 2017 were not fully secured by FDIC insurance; however, Southwest Ouachita Waterworks has elected to "set off" the loan with Chase Bank against its bank deposits in order to receive full value for any uninsured deposits. The amount of uninsured deposits at year end were \$781,838 and the loan balance was \$566,249.

SOUTHWEST OUACHITA WATERWORKS, INC.
 West Monroe, Louisiana
 Notes to the Financial Statements

3. RECEIVABLES

Receivables at December 31, 2017 consist of the following:

Water sales	\$219,848
Refund from Ouachita Parish Police Jury for overpayment of construction costs	37,727
Less - allowance for uncollectible accounts	<u>(8,500)</u>
Net	<u>\$249,075</u>

For the year ended December 31, 2017, the total amount billed for water services was \$1,813,989 with an average monthly billing per customer of \$42.66. The water system had 3365 active customers at December 31, 2017. Residential and small business customers are billed \$20 for the first 2,000 gallons of water used plus \$7.50 per thousand gallons for 3,000 to 15,000 gallons and \$8.50 per thousand gallons above 15,000 gallons. Commercial customers are billed \$100 for the first 10,000 gallons of water used plus \$8.50 per thousand gallons for consumption over 10,000 gallons. New customers are charged a \$60 refundable meter deposit fee and a \$475 meter installation fee. Customers are charged a \$40 reconnect fee when service is disconnected for nonpayment.

4. CAPITAL ASSETS

A summary of capital assets at December 31, 2017 follows:

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Capital assets not being depreciated:				
Land	\$46,320	\$17,000		\$63,320
Construction in progress	251,586	3,041,968		3,293,554
Total assets not being depreciated	<u>297,906</u>	<u>3,058,968</u>	NONE	<u>3,356,874</u>
Capital assets being depreciated:				
Water system	7,197,360		(\$2,307,479)	4,889,881
Vehicles and equipment	245,223	5,611	(27,295)	223,539
Total capital assets being depreciated	<u>7,442,583</u>	<u>5,611</u>	<u>(2,334,774)</u>	<u>5,113,420</u>

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Less accumulated depreciation for:				
Water system	\$4,580,323	\$54,106	(\$672,450)	\$3,961,979
Vehicles and equipment	138,857	13,401	(22,203)	130,055
Total accumulated depreciation	<u>4,719,180</u>	<u>67,507</u>	<u>(694,653)</u>	<u>4,092,034</u>
Total assets being depreciated, net	<u>2,723,403</u>	<u>(61,896)</u>	<u>(1,640,121)</u>	<u>1,021,386</u>
Total assets	<u><u>\$3,021,309</u></u>	<u><u>\$2,997,072</u></u>	<u><u>(\$1,640,121)</u></u>	<u><u>\$4,378,260</u></u>

The additions to capital assets for the year were the purchase of land, costs related to construction in progress for three separate projects, and the purchase of equipment.

The 2015-2018 system improvement project includes the construction of a new granular activated carbon treatment (GAC) system. The conversion to the GAC treatment system required the water system to abandon and remove all existing treatment equipment from the well sites. For the year ended December 31, 2017, the water system reported a loss on disposal of capital assets in the amount of \$1,589,908 related to abandoning the old treatment systems.

5. LOANS PAYABLE

On November 15, 2010, Southwest Ouachita Waterworks, Inc., obtained a \$2,740,959 loan from Chase Bank to payoff the remaining principal and interest due on a loan dated September 4, 2008 obtained from Ouachita Independent Bank (OIB) that was used to upgrade the water system. The interest rate on the Chase bank loan is 4.25%. The remaining principal and interest on the loan will be repaid in approximately 21 monthly payments of \$28,212 beginning January 1, 2018 through September 2019. The loan is secured by a security interest in the water system's seven water wells.

On August 23, 2012, Southwest Ouachita Waterworks, Inc., entered into an agreement with the State of Louisiana Department of Transportation and Development (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the water system's water lines that were located within the limits of a road construction project on LA 3033. The agreement provided for an estimated project cost of \$119,705 to be funded by the state through a URAF loan. The actual cost of the project was \$81,396. During 2013, the water system was reimbursed for the total cost of the project through a URAF loan. The agreement with DOTD provides that Southwest Ouachita Waterworks, Inc., will repay the URAF funds in a lump sum when billed by DOTD. The agreement also allows Southwest Ouachita Waterworks, Inc., to request to repay in

SOUTHWEST OUACHITA WATERWORKS, INC.
 West Monroe, Louisiana
 Notes to the Financial Statements

partial payments, in exchange for goods or services or any combination thereof. The request for repayment in a method other than lump sum must be submitted in writing to DOTD within 90 days from billing.

In November 2016, Southwest Ouachita Waterworks, Inc., was billed by DOTD for \$65,117 with an option to pay the minimum amount of \$8,139. The water system paid the minimum amount due on January 9, 2017.

On November 1, 2016, Southwest Ouachita Waterworks, Inc., entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) by signing a promissory note for \$3,666,000 to make improvements to its water system. LDH will give 20% principal forgiveness on each principal drawdown (up to a total of \$500,000 forgiveness) so the maximum amount of principal repayment will be \$3,166,000. The note shall bear interest at 1.95%, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2017. Southwest Ouachita Waterworks, Inc., will also pay a .50% administrative fee to LDH on the outstanding principal amount of the note, payable on each interest payment date. The principal will be repaid in 20 annual installments beginning November 1, 2018. The loan is secured by a security interest in properties owned by the water system.

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

	Chase Bank Loan	URAF Loan	LDH DWRLF Loan	Total
Loans payable at January 1, 2017	\$1,107,292	\$65,117	\$247,597	\$1,420,006
Additions			2,714,702	2,714,702
Reductions	(541,042)	(8,140)		(549,182)
Principal forgiveness			(500,000)	(500,000)
Loans payable at December 31, 2017	<u>\$566,250</u>	<u>\$56,977</u>	<u>\$2,462,299</u>	<u>\$3,085,526</u>

The annual requirements to amortize the URAF and LDH DWRLF loans can not be determined at December 31, 2017. However, the annual requirements to amortize the Chase Bank loan outstanding at December 31, 2017 are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$314,144	\$24,400	\$338,544
2019	252,106	10,863	262,969
Total	<u>\$566,250</u>	<u>\$35,263</u>	<u>\$601,513</u>

SOUTHWEST OUACHITA WATERWORKS, INC.
 West Monroe, Louisiana
 Notes to the Financial Statements

6. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 5 above, approximately 80% of the water system's debt is with Louisiana Department of Health. The collateral for this debt is described in Note 5.

7. DESIGNATED CASH

The water system has set aside a total of \$93,430 in a checking account to refund customer meter deposits as needed.

The loan agreement with Louisiana Department of Health DWRLF requires that the water system establish and maintain the following bank accounts:

	<u>Amount Required by Loan Agreement</u>	<u>Balance at December 31, 2017</u>
Construction Loan Fund - receiving and disbursing loan proceeds.	\$1,101	\$1,101
Debt Service Fund - payment of semi-annual debt service payments; must transfer 1/12 of each year's debt service into this fund on a monthly basis.	93,095	616,943
Debt Service Reserve Fund - to provide funds to pay debt service that would otherwise be in default.	101,287	223,160
Capital Additions and Contingencies Fund - to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system.	<u>100,000</u>	<u>178,092</u>
Total	<u>\$295,483</u>	<u>\$1,019,296</u>

8. CONTINGENCIES

Southwest Ouachita Waterworks, Inc., was involved in one lawsuit at December 31, 2017 that alleges

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Notes to the Financial Statements

physical and property damage as result of consuming water produced by the water system. It is the opinion of the water system's attorney that the costs of any physical or property damages cannot be estimated at this time; therefore no liability for the alleged damages has been reported in the accompanying financial statements.

During the year ended December 31, 2017, the water system expended \$2,874,705 in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health and Hospitals, Office of Public Health. These expenses are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. COMMITMENTS UNDER CONTRACTS

In November 2016, the water system awarded a construction contract in the amount of \$3,142,000 to Womack and Sons Construction Group, Inc., in connection with its 2015-2018 water system improvement project that is being financed with a loan from the Louisiana Department of Health Drinking Water Revolving Loan Fund discussed in Note 5 above. The water system also had a commitment under an engineering and consultant contract for \$391,300 in connection with its 2015-2018 water system improvement project. As of December 31, 2017, the balance remaining under the construction contract was \$380,424 and the balance remaining under the engineering/consulting contract was \$55,370.

10. SUBSEQUENT EVENTS

On February 20, 2018, the Louisiana Department of Health and Hospitals (LDH) issued an administrative order citing Southwest Ouachita Waterworks, Inc., with certain violations of state drinking water regulations during the period January 1, 2012 through December 31, 2017, and ordered the water system to take certain remedial actions to comply with all applicable state rules, regulations, and standards. State law provides that if the water system fails to comply with any provision of the administrative order, LDH may assess a penalty up to a maximum of \$3,000 per day, for each day the water system is not in compliance. Additionally, if LDH finds it necessary to refer the matter for civil action, the court may impose a civil penalty not to exceed \$3,000 per day for each day of violation and for each act of violation. The water system's engineer has responded to the order that the water system improvements financed by the Drinking Water Revolving Loan Fund (DWRLF) is specifically for remediation of cited violations.

Southwest Ouachita Waterworks, Inc., has evaluated subsequent events through April 11, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

SUPPLEMENTAL INFORMATION
As of and For the Year Ended December 31, 2017

**COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented in compliance with Act 706 of the 2015 Session.

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The Schedule of Expenditure of Federal Awards is presented as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

SCHEDULE OF INSURANCE POLICES IN FORCE

The Schedule of Insurance Policies in force is presented in compliance with the loan agreements with the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund.

Schedule 1

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD

For the Year Ended December 31, 2017

BOARD COMPENSATION

Agency Head - Walter Kelley - President

\$3,000

Schedule 2

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

<u>Federal Agency Name</u>	<u>Pass Through Agency</u>	<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Identification Number</u>	<u>Federal Expenditures - Pass Through Awards</u>
Environmental Protection Agency	Louisiana Department of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	Loan No. 1073047-01	<u>\$2,874,705</u>

Note to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the water system's financial statements. The water system uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. The water system's records should be consulted to determine the amounts expended from non-federal sources.

Note 2 - Loan Programs

The amount reported as federal expenditures is the amount of loan proceeds expended during the year ended December 31, 2017. The loan funds are subawards passed through the Louisiana Department of Health Drinking Water Revolving Loan Fund.

Schedule 3

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Insurance Policies in Force (Unaudited)
For the Year Ended December 31, 2017

<u>Insurer</u>	<u>Amount of Coverage</u>	<u>Risks Covered</u>	<u>In Effect</u>
Allied World Specialty Insurance Company	\$100,000 - \$4,025,830	Property	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$3,000,000	General Liability	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$5,000- \$100,000	Commercial Crime	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$3,000,000	Public Officials and Management Liability	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$1,000,000	Privacy Liability and Network Risk	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$1,000,000	Commercial Excess Liability	01/15/2017 - 01/15/2018
Allied World Specialty Insurance Company	\$1,000,000	Business Auto Liability	01/15/2017 - 01/15/2018
Louisiana Workers' Compensation Corporation	\$1,000,000	Workers Compensation	04/16/2017 - 04/16/2018

Independent Auditor's Report
Required by *Government Auditing Standards* and the Uniform Guidance

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

The following independent auditor's report on compliance for each major federal program and report on internal control over compliance is presented in compliance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, referred to as the Uniform Guidance.

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

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

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Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2017

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. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001 and 2017-002 that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether, Southwest Ouachita Waterworks Inc.'s financial statements are free from material misstatement, I performed tests of the water system's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwest Ouachita Waterworks, Inc.'s Response to Findings

Southwest Ouachita Waterworks, Inc.'s response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Southwest Ouachita Waterworks, Inc.'s response was 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the water system'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 water system's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s Carleen Dumas
Calhoun, Louisiana
April 30, 2018

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control over Compliance
Required by the Uniform Guidance**

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Report on Compliance for Each Major Federal Program

I have audited Southwest Ouachita Waterworks, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on the water system's major federal program for the year ended December 31, 2017. Southwest Ouachita Waterworks, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Southwest Ouachita Waterworks, Inc.'s major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the water system's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for Southwest Ouachita Waterworks, Inc.'s major federal program. However, my audit does not provide a legal determination of the water system's compliance.

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Opinion on Major Federal Program

In my opinion, Southwest Ouachita Waterworks, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Southwest Ouachita Waterworks, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Southwest Ouachita Waterworks, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Southwest Ouachita Waterworks, Inc.'s internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s Carleen Dumas
Calhoun, Louisiana
April 30, 2018

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified? - No
Significant deficiency(ies) identified? - None reported
5. Type of auditor's report issued on compliance for major programs - Unmodified opinion.
6. Any audit findings disclosed that are required to be reported in under Section 200.516 paragraph (a) of the Uniform Guidance - No
7. Identification of major program:

Environmental Protection Agency
CFDA Number: 66.468 Capitalization Grants for Drinking Water State
Revolving Funds
8. Dollar threshold used to distinguish between type A and type B programs - \$750,000.
9. Auditee qualified as low-risk auditee? - No

Section II - Financial Statement Findings

2017-001. Inadequate Segregation of Accounting Duties

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

Condition: The accounting duties of collecting, depositing, and posting customer payments to customers accounts may be performed by any of the office employees.

Cause: Small size of the water system.

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

Recommendation: None

Management's Response

and Corrective Action Plan:

It is not economically feasible to correct this deficiency based on the size of the water system.

2017-002. Inadequate Controls Over Preparation of Annual Financial Statements

Criteria: The water system's annual financial statements should be prepared in accordance with generally accepted accounting principles. The water system should have internal controls in place to prevent, detect, or correct a misstatement of those financial statements.

Condition: Due to its size, the water system does not have an individual with the expertise to perform these internal control functions effectively.

Cause: Small size of the water system.

Effect: Misstatements in the financial statements may not be detected within a timely period.

Recommendation: None

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Schedule of Findings and Questioned Costs

Management's Planned

Corrective Action:

It is not economically feasible to correct this deficiency based on the size of the water system.

Section III - Federal Award Findings

None.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Corrective Action Plan
For the Year Ended December 31, 2017

Finding No. 2017-001

Corrective Action Planned: None. It is not economically feasible to correct this deficiency based on the size of the water system.

Person Responsible for Corrective Action: N/A

Anticipated Completion Date: N/A

Finding No. 2017-002

Corrective Action Planned: None. It is not economically feasible to correct this deficiency based on the size of the water system.

Person Responsible for Corrective Action: N/A

Anticipated Completion Date: N/A

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

Financial Statement Findings

Finding No. 2016-1. Inadequate Segregation of Accounting Duties (Initially Occurred 2013)

Condition: The accounting duties of collecting, depositing, and posting customer payments to customers accounts may be performed by any of the office employees.

Current Status: The condition has not been resolved because it is not economically feasible to correct this deficiency based on the size of the water system. See finding 2017-001 in Schedule of Findings and Questioned Costs.

Finding No. 2016-2. Inadequate Controls Over Preparation of Annual Financial Statements (Initially Occurred 2013)

Condition: Due to its size, the water system does not have an individual with the expertise to perform these internal control functions effectively.

Current Status: The condition has not been resolved because it is not economically feasible to correct this deficiency based on the size of the water system. See finding 2017-002 in Schedule of Findings and Questioned Costs.

M. CARLEEN DUMAS
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Independent Accountant's Report
On Applying Agreed-Upon Procedures

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

LOUISIANA LEGISLATIVE AUDITOR

I have performed the procedures enumerated below, which were agreed to by Southwest Ouachita Waterworks, Inc. (non-profit corporation) 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. Southwest Ouachita Waterworks, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed 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 the 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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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- 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 loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, and procedures specified in the approval/permit letter from LDH addresses all of the specified financial /business functions for purchasing that are applicable to the public funds.

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

The loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, and written procedures adopted by management of the water system, addresses all of the specified financial /business functions for disbursements that are applicable to the public funds.

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

The loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, and written procedures adopted by management of the water system, addresses all of the specified financial /business functions for receipts that are applicable to the public funds.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

- 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

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The loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, and procedures specified in the approval/permit letter from LDH addresses all of the specified financial /business functions for contracting that are applicable to the public funds.

- 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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Does not apply to Southwest Ouachita Waterworks, Inc., a non-profit corporation.

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

The loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, addresses all of the specified financial /business functions for debt service that are applicable to the public funds.

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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 Board of Directors met on a monthly basis.

- 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).

- 1) 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.

Does not apply to Southwest Ouachita Waterworks, Inc., a non-profit corporation.

- 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 minutes of the Board of Directors included the approval of bids for the construction contract paid from public funds.

Bank Reconciliations

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

The public funds received were accounted for in a separate bank account and were not comingled with other funds. Management provided a representation that the listing is complete.

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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:

Bank reconciliations were prepared for all months in the fiscal period for the public funds checking account.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations are not reviewed by someone with no involvement in the transactions associated with the bank account.

- 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.

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

Collections

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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.

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Management provided the required listing and a representation that the listing is complete.

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.

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

- 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.

The water system does not use a requisition/purchase order system to initiate purchases nor does it maintain receiving reports as documentation for purchases made from the public funds received during the year ended December 31, 2017. There were approved invoices to support all disbursements that were tested.

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.

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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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 individuals who have signatory authority and authorize disbursements from the public funds have no responsibility for initiating or recording purchases from the public funds.

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.

Unused checks for the public funds are stored in a locked filing cabinet and the individuals who have signatory authority do not have access to the unused checks.

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 water system does not use a signature stamp to sign checks. Signed checks are under the control of the Office Manager until mailed.

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

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

Travel and Expense Reimbursement

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

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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.

Management provided the required listing for all contracts paid with public funds and a representation that the listing is complete.

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.

There was a formal written contract for all of the payments selected.

- 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:

The loan agreement with the Louisiana Department of Health and Hospitals, Office of Public Health, (LDH) that provides for the public funds received during the year ended December 31, 2017, required the water system to comply with the Louisiana Public Bid Law.

- 1) 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)

The water system complied with the requirements of the Louisiana Public Bid Law for the contracts paid from public funds.

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

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Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

- 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.

One of the construction contracts paid from the public funds was amended and increased by \$3,500 pertaining to updating Davis-Bacon wage determinations. The contract amendment was approved by LDH.

- 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.

For all payments selected, the invoices and related payments complied with the terms and conditions of the contract.

- 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).

The Board of Directors approved all contracts paid from public funds.

Payroll and Personnel

Does not apply to the public funds received by Southwest Ouachita Waterworks, Inc., during the year ended December 31, 2017.

Ethics (excluding nonprofits)

Does not apply to Southwest Ouachita Waterworks, Inc., a non-profit corporation.

Debt Service (excluding nonprofits)

Does not apply to Southwest Ouachita Waterworks, Inc., a non-profit corporation.

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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 reported that no misappropriations of public funds occurred during the year ended December 31, 2017.

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.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The water system had not posted the notice required by R.S. 24:523.1 on its premises or on its website because management was unaware of the requirement to do so.

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 regarding management's representations in the above procedures were noted.

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.

/s Carleen Dumas
Calhoun, Louisiana
April 11, 2018