

Varnado Waterworks District
Washington Parish Council
Varnado, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules
(with 2017 summarized comparative information)

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activities of the Varnado Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2018 and 2017, 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 above present fairly, in all material respects, the respective financial position of the business-type activities, of the Varnado Waterworks District, as of December 31, 2018, and 2017, 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 5 through 12 and page 35 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 Varnado 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 is 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 19, 2019, on my consideration of the Varnado 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 *Governmental Auditing Standards* in considering Varnado Waterworks District's internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, LA

June 19, 2019

Required Supplemental Information Management's Discussion and Analysis

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with 2017 summarized comparative information)

Introduction

The Varnado 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 of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards as more fully described in the financial statement footnotes as *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, 2018, total assets were \$6,529,980 and exceeded liabilities in the amount of \$3,233,380 (i.e., net position). Of the total net position, \$787,658 was unrestricted and available to support short-term operations, with a \$2,140,121 balance invested in capital assets, net of related debt and \$305,601 in restricted net position for customer deposit activity and debt service.

For the year ended December 31, 2018, user fee revenues (water sales) increased to \$817,509 as compared to \$773,007 for the fiscal year ending December 31, 2017.

The District's operating expenses, other than depreciation expense, decreased by approximately 6 percent or \$41,340 from the prior fiscal year. Bad debts decreased \$8,236, salaries decreased \$5,779, employee benefits decreased \$5,684, repairs and maintenance decreased \$46,756, and truck expenses decreased \$2,508. Depreciation expense increased by \$12,635.

Total long term debt decreased by principal payments of \$95,100. Interest payments of \$131,203 were made. Total long term debt was \$3,140,815 at December 31, 2018, and \$3,235,915 at December 31, 2017.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with 2017 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 Varnado 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, account for the revenues and expenses for the fiscal year and provide 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 Varnado 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, is presented below in a 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.

Varnado Waterworks District

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

Condensed Statements of Net Position
2018 and 2017

| | <u>2018</u> | <u>2017</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|--|---------------------|---------------------|--------------------------|------------------------------|
| Assets: | | | | |
| Current and Other Assets | \$ 1,249,044 | \$ 1,193,217 | \$ 55,827 | 5% |
| Capital Assets | <u>5,280,936</u> | <u>5,420,876</u> | <u>(139,940)</u> | -3% |
| Total Assets | <u>6,529,980</u> | <u>6,614,093</u> | <u>(84,113)</u> | -1% |
| Liabilities: | | | | |
| Long-Term Debt Outstanding | 3,039,438 | 3,137,933 | (98,495) | -3% |
| Other Liabilities | <u>257,162</u> | <u>231,061</u> | <u>26,101</u> | 11% |
| Total Liabilities | <u>3,296,600</u> | <u>3,368,994</u> | <u>(72,394)</u> | -2% |
| Net Position: | | | | |
| Investment in Capital Assets | 2,140,121 | 2,184,961 | (44,840) | -2% |
| Restricted for Capital Activity and Debt Service | 305,601 | 350,683 | (45,082) | -13% |
| Unrestricted | <u>787,658</u> | <u>709,455</u> | <u>78,203</u> | 11% |
| Total Net Position | <u>\$ 3,233,380</u> | <u>\$ 3,245,099</u> | <u>\$ (11,719)</u> | 0% |

“Current and Other Assets” increased by \$55,827 or five percent, resulting primarily from a \$82,208 increase in cash and cash equivalents a \$16,696 increase in intergovernmental receivables.

Capital Assets decreased by approximately three percent or \$139,940 as a result of the following activity:

- 1) Purchase of new equipment for \$33,828,
- 2) Purchase of a new vehicle for \$37,500,
- 3) New water system improvements of \$34,807,
- 4) Disposal of a trackhoe via a trade in with a book value of \$7,914, and
- 5) Current year depreciation of \$256,442.

Total Long Term Debt decreased \$95,100 due to principal payments.

Other Liabilities increased 11 percent or \$26,101 primarily due a increase in accounts payable of \$19,203 and a increase of \$4,801 in customer deposits.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with 2017 summarized comparative information)

Condensed Statements of Revenues, Expenses, and Changes in Net Position 2018 and 2017

| | Year ended December 31, 2018 | Year ended December 31, 2017 | Dollar Change | Percentage Change |
|-------------------------|------------------------------------|------------------------------------|------------------|----------------------|
| Revenues: | | | | |
| Operating Revenues | \$ 1,028,016 | \$ 982,253 | \$ 45,763 | 5% |
| Nonoperating Revenues | 29,569 | 23,361 | 6,208 | 27% |
| Total Revenues | 1,057,585 | 1,005,614 | 51,971 | 5% |
| Expenses: | | | | |
| Depreciation Expense | 256,442 | 243,807 | 12,635 | 5% |
| Other Operating Expense | 681,659 | 722,999 | (41,340) | -6% |
| Nonoperating Expense | 131,203 | 135,100 | (3,897) | -3% |
| Total Expenses | 1,069,304 | 1,101,906 | (32,602) | -3% |
| Changes in Net Position | (11,719) | (96,292) | 84,573 | -88% |
| Beginning Net Position | 3,245,099 | 3,341,391 | (96,292) | -3% |
| Ending Net Position | \$ 3,233,380 | \$ 3,245,099 | \$ (11,719) | 0% |

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 Varnado Waterworks District is being conservatively managed.

Total operating revenues (including water sales and revenues related to providing water and related services to customers) increased by five percent or \$45,763. Billing fees from Bogue Lusa Waterworks District and Washington Parish Gas District Number One decreased \$6,118. Non-operating Revenues increased by \$6,208 due primarily to the gain on the trade in of a piece of equipment for \$11,086.

Total operating expenses, other than depreciation and amortization expense, decreased by approximately six percent or \$41,340 from the prior fiscal year. Bad debts decreased \$8,236, salaries decreased \$5,779, employee benefits decreased \$5,684, repairs and maintenance decreased \$46,756, and truck expenses decreased \$2,510. Depreciation expense increased by \$12,635. Nonoperating expense which consists solely of interest expense decreased \$3,897.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with 2017 summarized comparative information)

Budgetary Highlights

Varnado 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 a 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, 2018

| | <u>Budget</u> Year ended December 31, 2018 | <u>Actual</u> Year ended December 31, 2018 | <u>Favorable</u> (Unfavorable) Variance |
|------------------------------------|---|---|---|
| Revenues: | | | |
| Operating Revenues | \$ 1,012,165 | \$ 1,028,016 | \$ 15,851 |
| Nonoperating Revenues | 17,876 | 29,569 | 11,693 |
| Total Revenues | <u>1,030,041</u> | <u>1,057,585</u> | <u>27,544</u> |
| Expenses: | | | |
| Depreciation Expense | 244,320 | 256,442 | 12,122 |
| Other Operating Expense | 692,051 | 681,659 | (10,392) |
| Nonoperating Expense | 133,761 | 131,203 | (2,558) |
| Total Expenses | <u>1,070,132</u> | <u>1,069,304</u> | <u>(828)</u> |
| Income (Loss) Before Contributions | (40,091) | (11,719) | 28,372 |
| Capital Contributions | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in Net Position | <u>\$ (40,091)</u> | <u>\$ (11,719)</u> | <u>\$ 28,372</u> |

Varnado Waterworks District

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)**

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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>Increase (Decrease)</u> |
|-----------------|------------------------------|------------------------------|--------------------------------|
| Customers | | | |
| Residential | 1,677 | 1,669 | 8 |
| Commercial | 22 | 22 | - |
| Schools | 6 | 6 | - |
| Prison | 1 | 1 | - |
| Total Customers | <u>1,706</u> | <u>1,698</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, 2018 and 2017.

| | <u>Year Ended December 31, 2018</u> | <u>Year Ended December 31, 2017</u> | <u>Increase (Decrease)</u> |
|--------------------------------------|---|---|--------------------------------|
| Accounts Receivable | | | |
| Current | \$ 67,411 | \$ 66,264 | \$ 1,147 |
| 31-60 Days Past Due | 4,384 | 3,938 | 446 |
| 61-90 Days Past Due | 2,172 | 1,591 | 581 |
| Over 90 Days Past Due | (971) | 1,220 | (2,191) |
| Subtotal | <u>72,996</u> | <u>73,013</u> | <u>(17)</u> |
| Allowance for Uncollectible Accounts | <u>(2,344)</u> | <u>(4,780)</u> | <u>2,436</u> |
| Net Accounts Receivable | <u>\$ 70,652</u> | <u>\$ 68,233</u> | <u>\$ 2,419</u> |

The above presentation is before consideration of accrued billings at fiscal year-end.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018 (with 2017 summarized comparative information)

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2018, Varnado Waterworks District had \$5,280,936 (net of accumulated depreciation) recorded in capital assets. This includes the water systems and improvements, the office building and storage for the water system equipment, land, and other equipment used to operate the water system. The changes in capital assets are presented in the table below.

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--------------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|
| Capital Assets | | | | |
| Land | \$ 105,512 | \$ 105,512 | - | 0% |
| Buildings | 151,180 | 151,180 | - | 0% |
| Equipment | 259,669 | 245,944 | 13,725 | 6% |
| Vehicles | 107,078 | 69,578 | 37,500 | 54% |
| Utility System | <u>9,617,002</u> | <u>9,582,915</u> | <u>34,087</u> | 0% |
| Subtotal | 10,240,441 | 10,155,129 | 85,312 | 1% |
| Less: Accumulated Depreciation | <u>(4,959,505)</u> | <u>(4,734,252)</u> | <u>(225,253)</u> | 5% |
| Net Capital Assets | <u>\$ 5,280,936</u> | <u>\$ 5,420,877</u> | <u>\$ (139,941)</u> | -3% |

Capital Assets decreased by approximately three percent or \$139,941 as a result of the following activity:

- 1) Purchase of new equipment for \$33,828
- 2) Purchase of a new vehicle for \$37,500,
- 3) New water system improvements of \$34,807,
- 4) Disposal of a trackhoe via a trade in with a book value of \$7,914, and
- 5) Current year depreciation of \$256,442.

Varnado Waterworks District

**Management’s Discussion and Analysis
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)**

Long-Term Obligations

The primary source of long-term financing for Varnado Waterworks District has been revenue bonds financed by the United States Department of Agriculture (USDA). During 2011, the District obtained financing of \$462,000 (Series 2011 Refunding Bonds) from a private lender, and with funds provided by the District, paid \$522,045 to refund the USDA 1988 Series Bonds. Interest rates for long-term debt financed through USDA are 4.125%, and 4.2% for the Series 2011 Refunding Bonds.

Bonds financed for Varnado Waterworks District include a specific requirement to maintain “Net Revenues” at 120 percent of the level required to fund annual debt service requirements. As noted in the last paragraph of *Footnote 8 – Flow of Funds, Restrictions on Use*, the District did meet the “Net Revenues” requirement. Total long-term debt for the current and prior fiscal year is as follows:

| | December 31, 2018 | December 31, 2017 |
|----------------------|------------------------------|------------------------------|
| Total Long-Term Debt | \$ <u>3,140,815</u> | \$ <u>3,235,915</u> |

Future Economic Plans

The District continually evaluates the needs of its customers and considers projects that will improve the water supply and provide additional service to customers. The approach of the board is to maintain a rate structure that is reasonable but that provides for optimum operation of the District.

Requests for Information

The financial report is designed to provide an overview of Varnado 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

Varnado Waterworks District
Statement of Net Position
As of December 31, 2018
(With Comparative Totals as of December 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 371,315 | \$ 289,107 |
| Investments | 340,128 | 340,009 |
| Receivables, Net | | |
| Accounts | 83,363 | 86,579 |
| Intergovernmental | 52,876 | 36,180 |
| Prepaid Insurance | 9,004 | 8,703 |
| Total Current Assets | <u>856,686</u> | <u>760,578</u> |
| Restricted Assets: | | |
| Restricted Cash and Cash Equivalents | 392,358 | 432,639 |
| Restricted Investments | - | - |
| Total Restricted Assets | <u>392,358</u> | <u>432,639</u> |
| Property, Plant, and Equipment | | |
| Land | 105,512 | 105,512 |
| Property, Plant and Equipment, Net | 5,175,424 | 5,315,364 |
| Total Property, Plant, and Equipment | <u>5,280,936</u> | <u>5,420,876</u> |
| Total Assets | <u>6,529,980</u> | <u>6,614,093</u> |
| Liabilities | | |
| Current Liabilities (Payable From Current Assets): | | |
| Accounts Payable | 44,578 | 25,374 |
| Other Accrued Payables | 20,317 | 21,018 |
| Total Current Liabilities (Payable From Current Assets) | <u>64,895</u> | <u>46,392</u> |
| Current Liabilities (Payable From Restricted Assets): | | |
| Customer Deposits | 86,757 | 81,956 |
| Revenue Bonds Payable | 101,377 | 97,982 |
| Accrued Interest on Bonds Payable | 4,133 | 4,731 |
| Total Current Liabilities (Payable From Restricted Assets) | <u>192,267</u> | <u>184,669</u> |
| Long Term Liabilities: | | |
| Bonds Payable | 3,039,438 | 3,137,933 |
| Total Long Term Liabilities | <u>3,039,438</u> | <u>3,137,933</u> |
| Total Liabilities | <u>3,296,600</u> | <u>3,368,994</u> |
| Net Position | | |
| Investment in Capital Assets | 2,140,121 | 2,184,961 |
| Restricted for: | | |
| Capital Activity and Debt Service | 305,601 | 350,683 |
| Unrestricted | 787,658 | 709,455 |
| Total Net Position | <u>\$ 3,233,380</u> | <u>\$ 3,245,099</u> |

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

Statement B

Varnado Waterworks District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Water Sales | \$ 817,509 | \$ 773,007 |
| Installations | 6,900 | 5,400 |
| Penalties | 19,628 | 20,916 |
| Billing Fees | 168,061 | 174,179 |
| Reconnect Fees | 5,350 | 3,800 |
| Other | 10,568 | 4,951 |
| Total Operating Revenues | <u>1,028,016</u> | <u>982,253</u> |
| Operating Expenses | | |
| Bad Debts | 3,310 | 11,546 |
| Conventions & Seminars | 392 | 1,534 |
| Depreciation | 256,442 | 243,807 |
| Director's Fees | 3,220 | 3,180 |
| Employee Benefits | 52,118 | 57,802 |
| Insurance | 46,423 | 36,124 |
| Contract - Meter Specialist | 23,341 | 19,689 |
| Office Expense | 18,197 | 16,275 |
| Other | 6,145 | 6,598 |
| Payroll Taxes | 20,727 | 19,785 |
| Permits | 19,704 | 14,347 |
| Professional Fees | 24,255 | 20,600 |
| Repairs and Maintenance | 48,146 | 94,902 |
| Salaries and Wages | 269,245 | 275,024 |
| Supplies - Maintenance | 49,211 | 45,195 |
| Telephone | 5,840 | 7,925 |
| Travel | 761 | 2,316 |
| Uniforms | 4,624 | 4,763 |
| Utilities | 78,041 | 74,927 |
| Vehicle Expenses | | |
| Fuel | 7,859 | 9,039 |
| Truck | 100 | 1,428 |
| Total Operating Expenses | <u>938,101</u> | <u>966,806</u> |
| Operating Income (Loss) | <u>89,915</u> | <u>15,447</u> |
| Nonoperating Revenues (Expenses) | | |
| Realized Gain (Loss) on Sale of Capital Assets | 11,086 | - |
| Interest Income | 6,747 | 4,914 |
| Interest Expense | (131,203) | (135,100) |
| Other Income | 11,736 | 18,447 |
| Total Nonoperating Revenues (Expenses) | <u>(101,634)</u> | <u>(111,739)</u> |
| Change in Net Position | <u>(11,719)</u> | <u>(96,292)</u> |
| Total Net Position, Beginning | <u>3,245,099</u> | <u>3,341,391</u> |
| Total Net Position, Ending | <u>\$ 3,233,380</u> | <u>\$ 3,245,099</u> |

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

Varnado Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Received From Customers | \$ 844,087 | \$ 784,419 |
| Received for Customer Deposits and Connection Fees | 4,801 | 6,683 |
| Other Receipts | 190,879 | 166,461 |
| Payments for Operations | (372,868) | (382,790) |
| Payments to Employees | (321,363) | (332,826) |
| Net Cash Provided by Operating Activities | <u>345,536</u> | <u>241,947</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Other Receipts | 11,736 | 18,447 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>11,736</u> | <u>18,447</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital Contributions Received | - | - |
| Proceeds from Sale of Capital Acquisitions | 11,086 | - |
| (Payments for) Capital Acquisitions | (105,416) | (37,365) |
| Principal Proceeds from (Repayments for) Long Term Debt | (95,100) | (90,917) |
| Interest Payments for Long Term Debt | (132,662) | (135,663) |
| Net Cash (Used) by Capital and Related Financing Activities | <u>(322,092)</u> | <u>(263,945)</u> |
| Cash Flows From Investing Activities | | |
| Receipt of Interest | 6,747 | 4,914 |
| Proceeds from sale (Payments) for Investments | - | 75,998 |
| Net Cash Provided by Investing Activities | <u>6,747</u> | <u>80,912</u> |
| Net Cash Increase (Decrease) in Cash and Cash Equivalents | 41,927 | 77,361 |
| Cash and Cash Equivalents, Beginning of Year | <u>721,746</u> | <u>644,385</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 763,673</u> | <u>\$ 721,746</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position: | | |
| Cash and Cash Equivalents, Unrestricted | \$ 371,315 | \$ 289,107 |
| Cash and Cash Equivalents, Restricted | 392,358 | 432,639 |
| Total Cash and Cash Equivalents | <u>\$ 763,673</u> | <u>\$ 721,746</u> |

(Continued)

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

Varnado Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | <u>12/31/18</u> | <u>12/31/17</u> |
|--|-----------------|-----------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) | | |
| by Operating Activities | | |
| Operating Income (Loss) | \$ 89,915 | \$ 15,447 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided | | |
| by Operating Activities: | | |
| Depreciation | 256,442 | 243,807 |
| (Increase) decrease in Accounts Receivable | 3,216 | (1,942) |
| (Increase) decrease in Due from Other Governments | (16,696) | (10,001) |
| (Increase) decrease in Prepaid Insurance | (301) | (2,750) |
| Increase (decrease) in Accounts Payable | 8,860 | (6,508) |
| Increase (decrease) in Accrued Expenses | (701) | 1,211 |
| Increase (decrease) in Customer Deposits | 4,801 | 2,683 |
| Net Cash Provided by Operating Activities | \$ 345,536 | \$ 241,947 |

-

(Concluded)

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

Notes to the Financial Statements

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

Introduction

Varnado Waterworks District was established in 1975, 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 an eight-member governing board of commissioners appointed by the Washington Parish Council. The District currently serves 1,706 customers as of December 31, 2018. The District's water wells are located approximately five miles north of the Bogalusa, Louisiana, city limits. The system lines run north to the Mississippi state line, south to the Bogalusa city limits, east to Pearl River, and approximately five miles west of Military Road. A project, funded by a loan and grant from the USDA Rural Development Office, was completed during 2008, which extended services to an additional 324 customers in the "Pine Area."

Varnado Waterworks 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, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Varnado Waterworks District is considered a component unit of the Washington Parish Council.

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 conformance 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 including a statement of net assets (or balance sheet), a statement of activities and changes in net position, 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 be presented as a change in net position.

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 position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position 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*.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ended December 31, 2012. The District did not have any deferred outflows or inflows of resources at December 31, 2018.

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 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 application of this standard to long-term debt offerings of the District is more fully described in *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.

Varnado Waterworks District
Notes to the Financial Statements
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(with 2017 summarized comparative information)

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.

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 customers' 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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 and Furniture | 5 - 7 Years |
| Utility System | 20 - 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

The District has the following policy related to vacation and sick leave:

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

Employees accrue a half a day per month of employment for sick leave up to a maximum of 45 days.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

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.

The District has 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, are revised. This standard was intended to compliment 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 expended in the period incurred under GASB 65.

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.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be 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.

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). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. 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.

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*

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

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.
- **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.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

2. Cash and Cash Equivalents

At December 31, 2018 and 2017, the District has cash and cash equivalents (book balances) totaling, as follows:

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Demand Deposits | \$ 294,410 | \$ 266,745 |
| Time & Savings Accounts | 111,669 | 100,328 |
| Money Market Accounts | 212,258 | 212,086 |
| Louisiana Asset Management Pool | 145,336 | 142,585 |
| Total Cash and Cash Equivalents | 763,673 | 721,744 |
| Certificates of Deposits Held in Investments (See Note 3) | 225,000 | 225,000 |
| Total Deposits | \$ 988,673 | \$ 946,744 |

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.

At December 31, 2018, the District has \$643,038 in deposits (collected bank balances), consisting of \$306,669 in demand deposits within four separate banks and \$336,369 in time and savings accounts, including certificates of deposits held as investments, within two separate banks. The demand deposits and the time and savings accounts are secured from risk by \$250,000 of federal deposit insurance at each financial institution and also have access to pledged securities 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*

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

At December 31, 2018, the District's investment balances were as follows:

| | <u>Maturity Date</u> | <u>Carrying Amount</u> | <u>Fair Market Value</u> |
|------------------------------|----------------------|------------------------|--------------------------|
| LPL Financial - Money Market | | \$ 115,128 | \$ 115,128 |
| | | <u>115,128</u> | <u>115,128</u> |
| Certificates of Deposit: | | | |
| Citizens Savings Bank | March 9, 2019 | 10,000 | 10,000 |
| Whitney National Bank | July 21, 2019 | 70,000 | 70,000 |
| Citizens Savings Bank | October 13, 2021 | 45,000 | 45,000 |
| Citizens Savings Bank | July 19, 2022 | 100,000 | 100,000 |
| | Total | <u>\$ 225,000</u> | <u>\$ 225,000</u> |

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

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 (LAMP) at December 31, 2018, 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 investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. 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. LAMP is subject to the regulator oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. 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 AAA by Standards and Poor's.

Varnado Waterworks District
Notes to the Financial Statements
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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: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 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, as provided by LAMP, is 47 days as of December 31, 2017.
5. Foreign currency risk: Not applicable to 2a7-like pools.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted 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, Inc., 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, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

4. Receivables

The following is a summary of receivables at December 31, 2018 and 2017:

| | <u>Year Ended</u> <u>December</u> <u>31, 2018</u> | <u>Year Ended</u> <u>December</u> <u>31, 2017</u> | <u>Increase</u> <u>(Decrease)</u> |
|---|---|---|--------------------------------------|
| Accounts Receivable | | | |
| Current | \$ 67,411 | \$ 66,264 | \$ 1,147 |
| 31-60 Days Past Due | 4,384 | 3,938 | 446 |
| 61-90 Days Past Due | 2,172 | 1,591 | 581 |
| Over 90 Days Past Due | <u>(971)</u> | <u>1,220</u> | <u>(2,191)</u> |
| Subtotal | 72,996 | 73,013 | (17) |
| Allowance for Uncollectible Accounts | <u>(2,344)</u> | <u>(4,780)</u> | 2,436 |
| Net Accounts Receivable | <u>\$ 70,652</u> | <u>\$ 68,233</u> | <u>\$ 2,419</u> |
| Accrued Billings | 12,711 | 18,346 | (5,635) |
| Due from Other Governments | | | |
| Due from Bogue Lusa Waterworks | 39,707 | 27,245 | 12,462 |
| Due (to) from Washington Gas District 1 | 13,169 | 8,935 | 4,234 |
| Total Receivables | <u>\$ 136,239</u> | <u>\$ 122,759</u> | <u>13,480</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, 2018, accrued billings amounts were \$12,711, and \$18,346 at December 31, 2017.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2018 and 2017:

| | December 31, 2018 | December 31, 2017 |
|--------------------------------------|------------------------------|------------------------------|
| Restricted Cash and Cash Equivalents | | |
| Customer Deposits | \$ 85,394 | \$ 83,465 |
| Bond Reserve Account | 155,339 | 145,645 |
| Bond Contingency Account | 120,475 | 126,677 |
| Bond Sinking Account | 31,150 | 76,852 |
| Total Restricted Assets | \$ 392,358 | \$ 432,639 |

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2018, is as follows:

| | Beginning Balance 12/31/17 | Additions and Re classifications | Deletions and Re classifications | Ending Balance 12/31/18 |
|--|---|---|---|--|
| Capital Assets Being Depreciated | | | | |
| Buildings | \$ 151,180 | \$ - | \$ - | \$ 151,180 |
| Equipment | 245,944 | 52,828 | (39,103) | 259,669 |
| Utility System | 9,582,915 | 34,087 | - | 9,617,002 |
| Vehicles | 69,578 | 37,500 | - | 107,078 |
| Total Capital Assets Being Depreciated | 10,049,617 | 124,415 | (39,103) | 10,134,929 |
| Less Accumulated Depreciation | (4,734,252) | (256,442) | 31,189 | (4,959,505) |
| Capital Assets Being Depreciated, Net | 5,315,365 | (132,027) | (7,914) | 5,175,424 |
| Land | 105,512 | - | - | 105,512 |
| Construction in Progress | - | - | - | - |
| Total Capital Assets, Net | \$ 5,420,877 | \$ (132,027) | \$ (7,914) | \$ 5,280,936 |

Equipment, furniture, and fixtures are depreciated using the useful lives of five to ten years, and the water distribution system uses a useful life of twenty to thirty years. All assets are depreciated under the straight-line method. Capital Assets decreased \$139,940 as a result of the following activity:

- 1) Purchase of new equipment for \$33,828,
- 2) Purchase of a new vehicle for \$37,500,
- 3) New water system improvements of \$34,807,
- 4) Disposal of a trackhoe via a trade in with a book value of \$7,914, and
- 5) Current year depreciation of \$256,442.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

| <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 | | | | | |
| 2007 Water Revenue Bond | \$ 2,969,915 | \$ - | \$ (54,100) | \$ 2,915,815 | \$ 59,377 |
| 2011 Water Rev. Bond Refunding | 266,000 | - | (41,000) | 225,000 | 42,000 |
| Total Long-Term Debt | <u>\$ 3,235,915</u> | <u>\$ -</u> | <u>\$ (95,100)</u> | <u>\$ 3,140,815</u> | <u>\$ 101,377</u> |

Bonds Payables as of December 31, 2018 and 2017 are as follows:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|------------------------------|------------------------------|
| Revenue Bond \$ 651,000 | | |
| Water Revenue Bonds - RUS 91-07 sold to Rural Utility Service | | |
| Dated 3/29/2007 due in monthly installments of principal and interest of | | |
| \$ 2,806 through 5/1/2047 interest at 4.125% | \$ 559,116 | \$ 569,490 |
| Revenue Bond \$ 2,744,000 | | |
| Water Revenue Bonds - RUS 91-08 sold to Rural Utility Service | | |
| Dated 3/29/2007 due in monthly installments of principal and interest of | | |
| \$ 11,827 through 5/1/2047 interest at 4.125% | 2,356,699 | 2,400,425 |
| Revenue Bond \$ 462,000 | | |
| Water Revenue Bonds -Series 2011 Refunding sold to Rural Utility Service | | |
| Dated 8/25/2011 due in annual installments of principal and semi-annual interest averaging | | |
| \$ 48,439 through 3/1/2023 interest at 4.20% | 225,000 | 266,000 |
| | <u>\$ 3,140,815</u> | <u>\$ 3,235,915</u> |

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments of \$2,097,235 are as follows:

| Year Ending 12/31/16 | 2007 Water Revenue Bonds \$ 651,000 | 2007 Water Revenue Bonds \$ 2,744,000 | Series 2011 Water Revenue Refunding \$ 462,000 | Total |
|---------------------------------|--|--|---|---------------------|
| 2019 | \$ 33,672 | 141,924 | 50,568 | \$ 226,164 |
| 2020 | 33,672 | 141,924 | 50,762 | 226,358 |
| 2021 | 33,672 | 141,924 | 50,872 | 226,468 |
| 2022 | 33,672 | 141,924 | 50,898 | 226,494 |
| 2023 | 33,672 | 141,924 | 45,945 | 221,541 |
| 2024 to 2028 | 168,360 | 709,620 | - | 877,980 |
| 2029 to 2033 | 168,360 | 709,620 | - | 877,980 |
| 2034 to 2038 | 168,360 | 709,620 | - | 877,980 |
| 2039 to 2043 | 168,360 | 709,620 | - | 877,980 |
| 2044 to 2048 | 115,046 | 485,091 | - | 600,137 |
| | <u>\$ 956,846</u> | <u>\$ 4,033,191</u> | <u>\$ 249,045</u> | <u>\$ 5,239,082</u> |

8. Flow of Funds, Restrictions on Use

As of December 31, 2018, the bond restrictions apply to parity bond obligations of outstanding bonds of Varnado Waterworks District and include the two issues of the 2007 Water Revenue Bonds, and the Series 2011 Refunding Bonds. Bond descriptions and covenants are as follows:

During the fiscal year ending December 31, 2009, construction was completed for the Pine Area system improvements. Interim financing totaling \$3,395,000 was obtained to finance the system improvements, with permanent financing to be provided by the USDA Rural Development Office. Interim financing was paid off March 29, 2007 by USDA Rural Development financing with a refunding totaling \$3,547,775. The payment of \$3,547,775 consisted of payoff of principal totaling \$3,395,000 plus \$152,775 accumulated interest, capitalized as construction period interest. The USDA Rural Development Office refunded the interim loan with the issuance of two Water Revenue Bonds, both dated March 29, 2007, and both issued at an annual interest rate of 4.125%.

The first bond issue totals \$651,000, and the second issue totals \$2,744,000, for a combined total of \$3,395,000. Both of the bond issues specify that the bond shall be payable over a forty (40) year period, with the first payment consisting of interest only which fell due on April 1, 2008 and will be paid thereafter in Four Hundred Eighty (480) consecutive monthly payments commencing May 1, 2008 and continuing through May 1, 2047 unless the principal amount hereof is prepaid in whole or in part in accordance with the terms set forth in the Bond Resolution. Each payment shall be applied first to the payment of accrued interest, and second to the payment of principal. For the issue totaling \$651,000, bond terms require a total monthly principal and interest payment of \$2,805.81, and for the \$2,744,000 bond issue a total monthly principal and interest payment of \$11,826.64. With the payoff of interim financing and the issuance of long-term financing provided

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

by the USDA Rural Development, the District recorded a total of \$65,193 in bond issuance costs, to be amortized over the life of the bonds.

During the fiscal year ending December 31, 2011, the April 13, 1988, bonds originally issued at \$925,000 were refunded with a cash payment of \$522,045. Sources of funding were issuance of Series 2011 Water Refunding Bonds at \$462,000, plus the District provided funds of \$68,951 from the existing Reserve Fund, and \$57,531 from the existing Depreciation and Contingency Fund to complete the refunding transaction. Proceeds of the issue and funds provided by the District also provided for advance funding of \$46,200 to fully fund the Series 2011 Debt Reserve Fund, and \$20,237 to fund the costs of issuance and other costs. The Series 2011 Refunding Bonds, issued at annual interest rate of 4.2% on August 25, 2011, are payable in semi-annual installments for interest and annual installments of principal and mature on March 1, 2023.

Under the terms of the bond issue, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the District after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system. Total interest expense from all water revenue bonds equaled \$131,203 for the year ending December 31, 2018. The gross water revenue recognized during the current period was \$817,509.

The District is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with USDA.

Each of the water revenue bonds specify the establishment and maintenance of a separately identifiable fund or account designated as the "Water System Bond Revenue Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the Bonds and any Additional Parity Bonds, as they severally become due and payable, by transferring from the Revenue Fund to the agent of the Issuer, monthly on or before the 20th day of each month of each year, a sum equal to the total amount of the principal and interest falling due on the next principal payment date for the bonds (except as specified during the construction phase by the USDA Rural Development Office, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments. Alternately, USDA has set up a payment schedule whereby the District makes payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund" for the USDA bonds, but is required for the 2011 Series Refunding Bonds. At December 31, 2018, the 2011 Series Sinking Fund was fully-funded with a balance of \$31,150.

Bond covenants for USDA bonds also require that there shall also be set aside into a "Water Revenue Bond Reserve Fund" an amount equal to 5% of the monthly debt installment on all outstanding parity bonds, monthly in advance on or before the 20th day of each month, after the construction becomes revenue producing, until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. As of December 31, 2018, the highest annual debt payment in succeeding years for the two Series 2007 Bonds totals \$175,590. Construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the monthly deposit requirement is calculated at 5% of the monthly debt installment. The Reserve Fund was fully funded and had a collective balance of \$107,380 in cash and investments held at December 31, 2018.

For the Series 2011 Water Revenue Bonds, the Series 2011 Debt Service Reserve Fund was fully funded with a deposit of \$46,200 at the bond closing on August 25, 2011. At December 31, 2018, the Series 2011 Debt Service Reserve Fund was fully funded.

Other USDA bond covenants require that funds will also be set aside into a "Depreciation and Contingency Fund" (the Contingency Fund). After construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

monthly deposit requirement became equal to the 5% Reserve Fund deposit, requiring deposits monthly in advance on or before the 20th day of each month an amount equal to 5% of the required monthly installment of interest and principal on outstanding parity bonds. The bond covenants further specify that such payments shall continue over the life of the bonds and when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall increase by a sum equal to 5% of the amount paid into the Sinking Fund.

Monies in the Contingency Fund shall be used for the making of repairs or replacements to the system, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds. All the revenues, received in any year and not required to be paid in such year into any of the noted funds, shall be regarded as surplus and may be used for any lawful corporate purpose. The Depreciation and Contingency Fund was fully funded and had a collective balance of \$120,475 in cash and investments held at December 31, 2018.

As construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, an additional bond requirement applied to the District. Bond covenants note that Additional Parity Bonds may also be issued on parity with the bonds if the following conditions are met:

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 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 operating and maintenance expenses of the system in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide "Net Revenues" at least equal to 120% 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 of the system. "Net Revenues," per 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, 2018, Net Revenues were computed to be above the 120 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 153 percent.

9. Restricted and Designated Net Position

At December 31, 2018, Varnado Waterworks District recorded \$305,601 in Restricted Net Assets (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.

10. Intergovernmental Agreement

The Varnado Waterworks District has a service agreement with the Bogue Lusa Water Works District and the Washington Parish Gas District Number One, also known as Varnado Gas District. 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 Bogue Lusa Water

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 summarized comparative information)

Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District, which is included in the administrative costs. Bogue Lusa Water Works is independently responsible for its meter reading expenses. The per customer monthly fee for Bogue Lusa Water Works for this service was \$2.60, and \$3.00 per customer per month for Varnado Gas District, payable monthly. The rate for Varnado Gas District includes \$2.35 for billing and \$0.65 per customer for meter reading.

Varnado Waterworks District will 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 and Varnado Gas 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 other districts at an agreed-upon rate 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. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

For the fiscal year ending December 31, 2018, billing fees charged to Other Governments was \$150,807 for Bogue Lusa Water District, and \$17,254 charged to Washington Parish Gas District No. 1.

11. Litigation and Claims

There is no outstanding litigation at December 31, 2018.

12. Contingent Liabilities

There are no contingent liabilities at December 31, 2018.

13. Subsequent Events

The financial statements considered subsequent events through June 19, 2019, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

Other Supplemental Information

Varnado Waterworks District
Budgetary Comparison Schedule
For the year ended December 31, 2018
(With Comparative Amounts for the Fiscal Year Ended December 31, 2017)

| | 2018 | 2018 | Variance | 2017 |
|--|---------------------|---------------------|--|---------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> | <u>Actual</u> |
| Operating Revenues | | | | |
| Water Sales | \$ 820,148 | \$ 817,509 | \$ (2,639) | \$ 773,007 |
| Installations | 6,900 | 6,900 | - | 5,400 |
| Penalties | 19,667 | 19,628 | (39) | 20,916 |
| Billing Fees | 151,706 | 168,061 | 16,355 | 174,179 |
| Reconnect Fees | 5,350 | 5,350 | - | 3,800 |
| Other | 8,394 | 10,568 | 2,174 | 4,951 |
| Total Operating Revenues | <u>1,012,165</u> | <u>1,028,016</u> | <u>15,851</u> | <u>982,253</u> |
| Operating Expenses | | | | |
| Bad Debts | - | 3,310 | (3,310) | 11,546 |
| Conventions & Seminars | 392 | 392 | - | 1,534 |
| Depreciation | 244,320 | 256,442 | (12,122) | 243,807 |
| Director's Fees | 3,280 | 3,220 | 60 | 3,180 |
| Employee Benefits | 54,625 | 52,118 | 2,507 | 57,802 |
| Insurance | 44,698 | 46,423 | (1,725) | 36,124 |
| Contract - Meter Specialist | 22,864 | 23,341 | (477) | 19,689 |
| Office Expense | 17,471 | 18,197 | (726) | 16,275 |
| Other | 9,159 | 6,145 | 3,014 | 6,598 |
| Payroll Taxes | 21,043 | 20,727 | 316 | 19,785 |
| Permits | 19,704 | 19,704 | - | 14,347 |
| Professional Fees | 24,505 | 24,255 | 250 | 20,600 |
| Repairs and Maintenance | 58,538 | 48,146 | 10,392 | 94,902 |
| Salaries and Wages | 268,860 | 269,245 | (385) | 275,024 |
| Supplies - Maintenance | 49,945 | 49,211 | 734 | 45,195 |
| Telephone | 5,788 | 5,840 | (52) | 7,925 |
| Travel | - | 761 | (761) | 2,316 |
| Uniforms | 4,546 | 4,624 | (78) | 4,763 |
| Utilities | 77,941 | 78,041 | (100) | 74,927 |
| Vehicle Expenses | 8,692 | 7,959 | 733 | 10,467 |
| Total Operating Expenses | <u>936,371</u> | <u>938,101</u> | <u>(1,730)</u> | <u>966,806</u> |
| Operating Income (Loss) | <u>75,794</u> | <u>89,915</u> | <u>14,121</u> | <u>15,447</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Realized Gain (Loss) on Sale of Capital Assets | - | 11,086 | 11,086 | - |
| Interest Income | 6,139 | 6,747 | 608 | 4,914 |
| Interest Expense | (133,761) | (131,203) | 2,558 | (135,100) |
| Other Income | 11,737 | 11,736 | (1) | 18,447 |
| Total Nonoperating Revenues (Expenses) | <u>(115,885)</u> | <u>(101,634)</u> | <u>14,251</u> | <u>(111,739)</u> |
| Change in Net Position | <u>(40,091)</u> | <u>(11,719)</u> | <u>28,372</u> | <u>(96,292)</u> |
| Total Net Position, Beginning | <u>3,245,099</u> | <u>3,245,099</u> | <u>-</u> | <u>3,341,391</u> |
| Total Net Position, Ending | <u>\$ 3,205,008</u> | <u>\$ 3,233,380</u> | <u>\$ 28,372</u> | <u>\$ 3,245,099</u> |

See independent auditor's report.

Varnado Waterworks District
Schedule of Insurance
For the year ended December 31, 2018

| <u>Insurance Company / Policy Number</u> | <u>Coverage</u> | <u>Amount</u> | <u>Period</u> |
|---|---|---------------|--------------------------|
| Western Surety Company 18216102 | Fidelity Bond Coverage: | | 11/16/2018 to 11/16/2019 |
| | Employee Dishonesty | \$ 100,000 | |
| | Forgery and Alteration | 100,000 | |
| | Theft, Disappearance | 100,000 | |
| | Computer Fraud | 50,000 | |
| American Alternative Insurance Co. GPPA-PF-6053997-03 | Commercial General Liability: | | 2/28/2018 to 2/28/2019 |
| | General Aggregate | 3,000,000 | |
| | Per Occurrence Limits | 1,000,000 | |
| | Damage to Premises Rented | 1,000,000 | |
| | Medical Expense Per Accident | 10,000 | |
| | Personal and Advertising Injury | 1,000,000 | |
| | Damage to Premises Rented | 1,000,000 | |
| | Products-Completed Operations | 3,000,000 | |
| | Aggregate | | |
| | Public Officials and Management Liability | 1,000,000 | |
| | Commercial Property | 2,450,159 | |
| | Crime Coverage | 100,000 | |
| | Cyber Crime Liability | 1,000,000 | |
| | Business Auto: | | |
| | Liability | 1,000,000 | |
| Uninsured Motorist | 1,000,000 | | |
| Underinsured Motorists | 1,000,000 | | |
| Comprehensive | As scheduled | | |
| Collision | As scheduled | | |
| Medical Payments | 5,000 | | |
| Louisiana Workers Comp. 105384-B | Workers Compensation: | | 4/8/2018 to 4/8/2019 |
| | Accident | 100,000 | |
| | Policy Limit | 500,000 | |
| | Each Employee | 100,000 | |

See independent auditor's report.

Varnado Waterworks District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2018

| <u>Name and Title / Contact Number</u> | <u>Address</u> | <u>Compensation Received</u> | <u>Term Expiration</u> |
|--|---|------------------------------|------------------------|
| Freddie Jefferson, President (985) 986-2460 | 31110 School Road Angie, LA 70426 | \$ 660 | 12/31/21 |
| Ronald Owens, Commissioner (985) 735-6111 | 26183 Highway 21 Angie, LA 70426 | 780 | 12/31/19 |
| Argil Boone, Commissioner (985) 735-5890 | 61768 Seal Road Angie, LA 70426 | 180 | 12/31/20 |
| Tommy Terrell, Commissioner (985) 848-5820 | 53668 Highway 62 Franklinton, LA 70438 | 780 | 12/31/22 |
| Joe Lewis, Commissioner (985) 735-9863 | 64023 Recreation Center Road Angie, LA 70426 | 780 | 12/31/23 |
| | | <u>\$ 3,180</u> | |

See independent auditor's report.

Varnado Waterworks District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018

Agency Head Name: Freddie Jefferson, President

| <u>Purpose</u> | <u>Amount</u> |
|------------------------|---------------|
| Per diem- Board Member | \$ 660 |

See independent auditor's report.

Varnado Waterworks District
Schedule of Water Rates
For the year ended December 31, 2018

| Water | | | |
|-------------------|---|--|---|
| Residential Rates | | Commercial Rates | |
| \$ 23.00 | - | First 2,000 Gallons | \$ 55.00 - First 15,000 Gallons |
| | | 3.00 - Per 1,000 Gallons of Water over 2,000 Gallons | 4.00 - Per 1,000 Gallons of Water over 15,000 Gallons |

| Water Rates for Pine | | | |
|----------------------|---|--|--|
| Residential Rates | | Commercial Rates | |
| \$ 24.50 | - | First 5,000 Gallons | \$ 57.40 - First 5,000 Gallons |
| | | 3.00 - Per 1,000 Gallons of Water over 5,000 Gallons | 4.00 - Per 1,000 Gallons of Water over |

See independent auditor's report.

Schedule of Water Customers
as of December 31, 2018 and 2017

| | December 31, 2018 | December 31, 2017 | Increase (Decrease) |
|--|----------------------|----------------------|------------------------|
| Customers | | | |
| Residential | 1,677 | 1,669 | 8 |
| Commercial | 22 | 22 | - |
| Schools | 6 | 6 | - |
| Prison | 1 | 1 | - |
| Total Customers | 1,706 | 1,698 | 8 |
| Commercial users having a meter size larger than the residential size (3/4") | | | 18 |

See independent auditor's report.

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

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
Varnado 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 Varnado Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Varnado Waterworks District's basic financial statements and have issued my report thereon dated June 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Varnado 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 Varnado 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 Varnado 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 19, 2019

Varnado Waterworks District, Louisiana
Schedule of Current Year Audit Findings
For the Year Ended December 31, 2018

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

| | | |
|--|------------------------------|--|
| Material weaknesses identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Noncompliance material to the financial statements note? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Varnado Waterworks District, Louisiana
Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2018

Noncompliance Finding

Item 2017-001 Net Revenue Requirement of Bond Covenants

Criteria: The rate covenants for the "Water Revenue Refunding Bonds, Series 2011, 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 and as will provide Net Revenues at least equal to 120% of the principal and interest falling due in such year on all bonds or other obligations payable from the System and as will provide revenues at least sufficient to pay all reserve or sinking fund payments required for such Fiscal Year by this Resolution and all obligations or indebtedness payable out of the Revenues during such year, and that such rates, fees, rents or other charges shall not at any time be reduced as to be insufficient to provide adequate Revenues for such purposes."

Condition: At December 31, 2017, the District's net revenue coverage was 115%.

Cause of Condition: The District's water sales decreased from the prior year by \$1,184 while total operating expenses increased \$135,607.

Effect of Condition: The district was not in compliance with the bond covenants.

Recommendation: The District should monitor its net revenue requirements through the year and not just at year end. It should consider reviewing rates each year to ensure adequate coverage of the requirements of its bond agreement:

Management Response: We will put in place procedures to follow the auditor's recommendation.

Status: Resolved.

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11th Avenue

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

Mr. Freddie Jefferson, Chairman,
Varnado Water Works District
And Board of Commissioners
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Varnado Water Works District (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, 2018 through December 31, 2018. 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, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase

orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

Board or Finance Committee

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

The board meets each month.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes referenced financial statements and budget reports.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The District is an enterprise fund. This is not applicable.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts and management's representation were obtained.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations are prepared monthly.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There was no evidence a member of management who does not handle cash reviewed the bank reconciliation. However, the external accountant also does the bank reconciliations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites and management's representation were obtained.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations and management's representation were obtained. Written policies and procedures were obtained.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The District has one cash drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The District has an office manager, one full time clerk and one part time clerk that handles cash collections. All employees are responsible for collecting cash. The office manager prepares the bank deposit and one clerk makes the deposit at the bank. The office manager reconciles the collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The external accountant posts collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The external accountant reconciles cash collections to the general ledger by revenue source.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

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

Locations that process payments and management's representation were obtained.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

The systems manager can initiate a purchase request. The office manager approves the purchase. Both of these managers can order or make purchases.

- b) At least two employees are involved in processing and approving payments to vendors.

The office manager processes payments to vendors. The bills are approved at the monthly board meeting by the board.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The District has an external accountant that can add or modify vendor files. The office manager processes the payments.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The office manager can sign checks along with one board member. The office manager can process payments. The board members do not.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

The non-payroll disbursement transaction population and management's representation were obtained.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

The disbursements are approved at the monthly board meeting as reflected in the minutes.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of active credit cards and management's representation were obtained. Debit cards, fuel cards, and P-cards are not used.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, 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.]]

No exceptions noted.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

No exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

A listing of travel expense reimbursements and management's representation were obtained.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Per diems were within the rates established by the State.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No transactions for actual cost reimbursement were in the sample.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as*

an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of contracts and management's representation were obtained.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

The contract was not subject to the state public bid law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials and management's representation were obtained.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (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.)

Daily attendance and leave were documented. Attendance and leave are documented manually.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

The office manager approves attendance and leave.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The office manager accumulates leave manually. It was observed leave accrued or taken is updated.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

One employee was terminated. Payment appears to be appropriate.

- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Federal tax payments are made weekly. State tax payments are made quarterly. Worker's compensation premiums are paid yearly. Retirement payments were paid monthly. All forms were filed as required.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No exceptions noted.

Debt Service

- 21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No debt was issued last year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted no misappropriations occurred during the fiscal year.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

We were 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, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the 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.



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