

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2019

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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Jefferson Davis Central Waterworks District (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2019. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities by \$5,246,321 (net position) for the fiscal year reported.
- Total revenues of \$1,082,234 exceeded total expenditures of \$774,245, which resulted in a current year surplus of \$307,989, compared to prior year surplus of \$357,976.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, net of related debt, of \$2,739,786 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
  - (2) Net position - unrestricted net assets of \$2,506,535.
- At the end of the current fiscal year, unreserved net assets were 324% of total expenditures and 232% of total revenues.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data for the prior year is presented.

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Positions; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The District's net position at fiscal year-end is \$5,246,321. The following table provides a summary of the District's net position:

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$ 2,755,339	\$ 2,282,716
Capital assets	2,739,786	2,890,717
Other assets	<u>12,935</u>	<u>15,322</u>
Total assets	<u>5,508,060</u>	<u>5,188,755</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	197,780	193,125
Long-term liabilities	<u>63,959</u>	<u>57,298</u>
Total liabilities	<u>261,739</u>	<u>250,423</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets, net of debt	2,739,786	2,890,717
Net position - unrestricted	<u>2,506,535</u>	<u>2,047,625</u>
Total net position	<u>\$ 5,246,321</u>	<u>\$ 4,938,332</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

52% (59% for 2018) of the District's net position is tied up in capital assets and restricted net position. The District uses these capital assets to provide services to its customers.

The following table provides a summary of the District's changes in net position:

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 636,120	\$ 647,363
Non-operating Revenues	<u>446,114</u>	<u>464,168</u>
Total Revenues	1,082,234	1,111,531
Depreciation Expense	173,410	179,683
Other Operating Expenses	600,835	573,872
Non-operating Expenses	<u>-</u>	<u>-</u>
Total Expenses	<u>774,245</u>	<u>753,555</u>
Change in Net Position	307,989	357,976
Beginning Net Position	<u>4,938,332</u>	<u>4,580,356</u>
Ending Net Position	<u>\$ 5,246,321</u>	<u>\$ 4,938,332</u>

**BUDGETARY HIGHLIGHTS**

**ENTERPRISE FUND**

Actual revenues exceeded the budget by \$94,234 or 10%, mainly due to charges for services. Actual expenses were short the budget by \$23,655 or 3.0%, mainly due to salaries and repairs and maintenance.

The budget was amended once during the fiscal year.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

**CAPITAL ASSETS**

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2019, was \$2,739,786. See Note C for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2019</u>	<u>2018</u>
Nondepreciable assets:		
Land	\$ 28,285	\$ 28,285
Construction in progress	22,479	-
Depreciable assets:		
Plant & Distribution system	6,429,462	6,429,462
Furniture, fixtures and equipment	<u>396,860</u>	<u>396,860</u>
Total depreciable assets	6,826,322	6,826,322
Less accumulated depreciation	<u>4,137,300</u>	<u>3,963,890</u>
Book value-depreciable assets	<u>\$ 2,689,022</u>	<u>\$ 2,862,432</u>
Percentage depreciated	<u>61%</u>	<u>58%</u>
Book value-all assets	<u>\$ 2,739,786</u>	<u>\$ 2,890,717</u>

Construction in progress is for a line boring project in Woodlawn. The total estimated cost of the project is \$300,000 and is expected to be completed by September 2019.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rhonda Migl, Office Manager of Jefferson Davis Central Waterworks District.

## INDEPENDENT AUDITORS' REPORT

August 21, 2019

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 2019, 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**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jefferson Davis Central Waterworks District as of June 30, 2019, and the respective changes in financial position and cash flows 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 information on pages 3 through 6 and 25 through 26 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 appropriate operational, economic, or historical context.

We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Jefferson Davis Central Waterworks District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer 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 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. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Prior Year Data**

The financial information for the year ended June 30, 2018 is presented for comparative, analytic purposes. We have previously audited the financial statements as of and for the year ended June 30, 2018 and have issued our report dated September 10, 2018. The presented summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019 on our consideration of Jefferson Davis Central Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis Central Waterworks District's internal control over financial reporting and compliance.

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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position

June 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 2,507,861	\$ 2,050,674
Accounts receivable, net	56,297	53,946
Prepaid expenses	9,971	9,365
	<u>2,574,129</u>	<u>2,113,985</u>
Restricted Assets		
Customer deposits		
Cash	181,210	168,731
Total current assets	<u>2,755,339</u>	<u>2,282,716</u>
Property, plant and equipment		
Land	28,285	28,285
Construction in progress	22,479	-
Distribution system	6,429,462	6,429,462
Furniture, fixtures and equipment	69,017	69,017
Machinery and equipment	327,843	327,843
	<u>6,877,086</u>	<u>6,854,607</u>
Less accumulated depreciation	<u>4,137,300</u>	<u>3,963,890</u>
	2,739,786	2,890,717
Other assets		
Construction period interest, net	<u>12,935</u>	<u>15,322</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,508,060</u>	<u>\$ 5,188,755</u>

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position - Continued

June 30, 2019

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 15,257	\$ 18,060
Accrued liabilities	6,080	5,837
	<u>21,337</u>	<u>23,897</u>
Payable from restricted assets		
Customer deposits	176,443	169,228
Total Current Liabilities	<u>197,780</u>	<u>193,125</u>
Long-term liabilities		
Accrued compensated absences	63,959	57,298
	<u>261,739</u>	<u>250,423</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Investment in capital assets, net of related debt	2,739,786	2,890,717
Net position - Unrestricted	<u>2,506,535</u>	<u>2,047,615</u>
Total Net Position	<u>5,246,321</u>	<u>4,938,332</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,508,060</u>	<u>\$ 5,188,755</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2019

	2019	2018
OPERATING REVENUES		
Charges for services	\$ 597,929	\$ 592,661
Installations	14,950	29,900
Penalties and reconnect fees	23,136	24,802
Miscellaneous	105	-
TOTAL OPERATING REVENUES	636,120	647,363
OPERATING EXPENSES		
Advertising	693	553
Amortization	2,387	2,388
Auto mileage	1,288	1,024
Chemicals	27,850	26,661
Communications	5,646	5,904
Contract labor	400	400
Convention expense	519	521
Depreciation	173,410	179,683
Dues	3,859	5,477
Equipment rental	2,610	1,275
Fuel	7,078	12,039
Garbage service	359	246
Insurance - employees	48,145	48,376
Insurance - other	21,143	21,235
Meter reading services	24,104	23,178
Miscellaneous	3,562	3,312
Office	2,903	2,484
Per diem	8,250	6,500
Postage	6,107	5,508
Printing	776	1,112
Professional fees	9,500	9,500
Repairs and maintenance	36,860	67,779
Retirement	18,829	25,988
Salaries	209,547	195,383
Supplies	92,084	59,055
Taxes and licenses	15,521	14,404
Utilities	48,483	31,268
Water samples	2,332	2,302
TOTAL OPERATING EXPENSES	774,245	753,555
OPERATING PROFIT (LOSS)	(138,125)	(106,192)

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position - Continued  
Year Ended June 30, 2019

	2019	2018
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 419,778	\$ 415,716
Gain on sale of assets	-	6,750
Interest income	26,336	22,302
Grant income	-	19,400
	446,114	464,168
CHANGE IN NET POSITION	307,989	357,976
NET POSITION - BEGINNING	4,938,332	4,580,356
NET POSITION - ENDING	\$ 5,246,321	\$ 4,938,332

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows

Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING REVENUES		
Received from customers	\$ 633,769	\$ 635,893
Payments for supplies	(385,406)	(357,144)
Payments for services	<u>(209,547)</u>	<u>(195,381)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	38,816	83,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	7,215	9,165
Proceeds from grant income	-	19,400
Proceeds from sale of fixed assets	-	6,750
Acquisition of fixed assets	(22,479)	(57,247)
Ad valorem taxes	<u>419,778</u>	<u>415,716</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	404,514	393,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>26,336</u>	<u>22,302</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	469,666	499,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,219,405</u>	<u>1,719,951</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,689,071</u>	<u>\$ 2,219,405</u>

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows - Continued

Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit (loss)	\$ (138,125)	\$ (106,192)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,387	2,388
Depreciation	173,410	179,683
(Increase) decrease in:		
Accounts receivable	(2,351)	(11,470)
Prepaid expenses	(606)	267
Increase (decrease) in:		
Accounts payable	(2,803)	11,326
Accrued liabilities	243	4,620
Accrued compensated absences	6,661	2,746
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 38,816</u>	<u>\$ 83,368</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2019

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson Davis Central Waterworks District is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the rural area of Central Jefferson Davis Parish. The District is governed by a board of commissioners composed of five members appointed by the Jefferson Davis Parish Police Jury.

#### 1. Reporting Entity

As the governing authority, for reporting purposes, the Jeff Davis Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Jeff Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

Because the police jury appoints a voting majority to the district and has the ability to impose its will, the District was determined to be a component unit of the Jeff Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2019

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 2. Basis of Presentation

The accompanying financial statements of the Jefferson Davis Central Waterworks District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

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 operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise 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.

#### 3. Cash

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, 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. Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

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 June 30, 2019, the District has \$2,739,786 in deposits (collected bank balances). All of which are secured by federal deposit insurance and pledged securities.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Accounts Receivable

Uncollectible amounts due for accounts receivable are recognized as bad debts using the direct write-off method. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to a bad debt that is materially different from the amount that would be charged if the reserve method were used.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

5. Construction Period Interest

Interest costs of \$90,740 during original construction period of plant were capitalized and are being amortized over the term of the original bond issue using the straight-line method. Amortization expense was \$2,388 for the year ended June 30, 2019.

6. Compensated Absences

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

Vacation - Two weeks after 1 year of service,  
- Three weeks after 10 years of service,  
- Four weeks after 20 years of service.  
- Vacation may not be carried over to the next year and will not be paid upon termination.

Sick Leave - One day per month after 30 days of employment.  
- Maximum of 150 days may be carried over to the next year.  
- Unused sick days will be paid upon retirement.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District's recognition and measurement criterion for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 also provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

At June 30, 2019, the District had an accrual for compensated absences of \$63,959.

7. Statement of Cash Flows

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$2,689,071 which represents unrestricted amounts of \$2,507,861 and restricted amounts of \$181,210.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

9. Net Position

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Estimates

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

11. Subsequent Events

Management has evaluated subsequent events through August 21, 2019, the date the financial statements were available to be issued.

12. Comparative Data

Comparative totals for the prior have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE B - AD VALOREM TAXES

For the year ended June 30, 2019 taxes of 10.49 mills were levied on property with assessed valuations totaling \$41,772,831 and were dedicated as follows:

General operations	10.49 mills
--------------------	-------------

Total taxes levied were \$438,201.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15 of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE C - FIXED ASSETS

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE C - FIXED ASSETS - CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant & distribution system	30 - 50 years
Furniture, fixtures and equipment	3 -10 years

A summary of changes in fixed assets for the year ended June 30, 2019 are as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
Land	\$ 28,285	\$ -	\$ -	\$ 28,285
Construction in Progress	-	22,479	-	22,479
Plant & Distribution System	6,429,462	-	-	6,429,462
Furniture, Fixtures & Equipment	<u>396,860</u>	-	-	<u>396,860</u>
	6,854,607	<u>\$ 22,479</u>	<u>\$ -</u>	6,877,086
Less accumulated depreciation	<u>(3,963,890)</u>			<u>(4,137,300)</u>
Totals	<u>\$ 2,890,717</u>			<u>\$ 2,739,786</u>

Depreciation expense was \$173,410 for the year ended June 30, 2019.

Construction in progress of \$22,479 at June 30, 2019 consists of the Woodlawn Line Boring Project. The total project costs is estimated at \$300,000 to be completed by September 2019.

NOTE D - PER DIEM

Total per diem paid consisted of the following:

Benet Augustine	\$ 1,650
Billy Compton	1,650
Steve Lopez	1,650
John Reeves	1,800
Kevin Webb	<u>1,500</u>
	<u>\$ 8,250</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F – RETIREMENT COMMITMENTS

The District approves annually contributions to individual retirement accounts of all eligible employees. Eligible employees are all full-time employees after one year of service. Contribution rate is 10% of annual salary. Total payroll for the District was \$209,547 and total payroll for covered employees was \$202,885. Total contributions made by the District were \$18,829. Participants are immediately fully vested.

REQUIRED SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position -  
Budget and Actual

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Charges for services	\$ 515,000	\$ 515,000	\$ 597,929	\$ 82,929
Installations	26,000	26,000	14,950	(11,050)
Penalties and reconnect fees	24,000	24,000	23,136	(864)
Miscellaneous	-	-	105	105
<b>TOTAL OPERATING REVENUES</b>	<b>565,000</b>	<b>565,000</b>	<b>636,120</b>	<b>71,120</b>
<b>OPERATING EXPENSES</b>				
Advertising	1,000	1,000	693	307
Amortization	-	-	2,387	(2,387)
Auto mileage	2,000	2,000	1,288	712
Bad debt expense	1,000	1,000	-	1,000
Bank charges	600	600	-	600
Chemicals	32,000	32,000	27,850	4,150
Communication	7,000	7,000	5,646	1,354
Contract labor	20,000	20,000	400	19,600
Convention	1,000	1,000	519	481
Depreciation	-	-	173,410	(173,410)
Dues	15,000	15,000	3,859	11,141
Equipment rental	5,000	5,000	2,610	2,390
Fuel	15,300	15,300	7,078	8,222
Garbage service	500	500	359	141
Insurance - employees	48,600	48,600	48,145	455
Insurance - other	35,000	35,000	21,143	13,857
Meter reading services	24,000	24,000	24,104	(104)
Miscellaneous	5,000	5,000	3,562	1,438
Office	5,000	5,000	2,903	2,097
Per diem	7,000	7,000	8,250	(1,250)
Postage	7,500	7,500	6,107	1,393
Printing	3,000	3,000	776	2,224
Professional fees	10,000	10,000	9,500	500
Repairs and maintenance	80,000	80,000	36,860	43,140
Retirement	35,400	35,400	18,829	16,571
Salaries	275,000	275,000	209,547	65,453
Supplies	75,000	85,000	92,084	(7,084)
Taxes and licenses	25,000	25,000	15,521	9,479
Utilities	39,000	49,000	48,483	517
Water samples	3,000	3,000	2,332	668
<b>TOTAL OPERATING EXPENSES</b>	<b>777,900</b>	<b>797,900</b>	<b>774,245</b>	<b>23,655</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(212,900)</b>	<b>(232,900)</b>	<b>(138,125)</b>	<b>94,775</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Ad valorem taxes (net)	415,000	415,000	419,778	4,778
Interest income	8,000	8,000	26,336	18,336
	<b>423,000</b>	<b>423,000</b>	<b>446,114</b>	<b>23,114</b>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position -  
Budget and Actual - Continued

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
CHANGE IN NET POSITION	\$ 210,100	\$ 190,100	\$ 307,989	\$ 117,889
NET POSITION - BEGINNING	<u>4,938,332</u>	<u>4,938,332</u>	<u>4,938,332</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 5,148,432</u>	<u>\$ 5,128,432</u>	<u>\$ 5,246,321</u>	<u>\$ 117,889</u>

## OTHER INFORMATION

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Compensation, Benefits and Other Payments  
To Chief Executive Officer

Year Ended June 30, 2019

Chief Executive Officer: John Reeves, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	1,800
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-

INDEPENDENT AUDITORS' 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

August 21, 2019

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Jefferson Davis Central Waterworks District's basic financial statements, and have issued our report thereon dated August 21, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Davis Central 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did

identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Jefferson Davis Central Waterworks District's Response to Findings**

Jefferson Davis Central Waterworks District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Jefferson Davis Central Waterworks District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Shagron, Casiday, Shullory*

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2019

1. Summary of Auditors' Results:

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified?  yes  no
- Control deficiencies identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

**Finding #2019-001**

**Inadequate Segregation of Duties**

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Management Response/Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review bank reconciliations on a monthly basis.

3. Findings and Questioned Costs for Federal Awards

N/A

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses - Continued

Year Ended June 30, 2019

4. Prior Year Findings

**Finding #2018-001**

Inadequate segregation of duties

Corrective Action Taken: None, repeat finding in 2019.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

August 21, 2019

We have performed the procedures included enumerated below, which were agreed to by the Jefferson Davis Central Waterworks District 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 year July 1, 2018 through June 30, 2019. The District'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***

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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.  
***The District does not have a complete written policies and procedures manual.***
  - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
***The District does not have a complete written policies and procedures manual.***
  - c) *Disbursements*, including processing, reviewing, and approving.  
***The District does not have a complete written policies and procedures manual.***
  - d) *Receipt/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 confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).

***The District does not have a complete written policies and procedures manual.***

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

***The District does not have a complete written policies and procedures manual.***

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

***The District does not have a complete written policies and procedures manual.***

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (.e.g., determining the reasonableness of fuel card purchases).

***The District does not have a complete written policies and procedures manual.***

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

***The District does not have a complete written policies and procedures manual.***

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

***The District does not have a complete written policies and procedures manual.***

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

***The District does not have a complete written policies and procedures manual.***

- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

***The District does not have a complete written policies and procedures manual.***

***Management Response: A written policies and procedures manual is currently in process and will be adopted during the next year.***

***Board or Finance Committee***

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- 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 minutes reflected that the managing board met monthly in accordance with enabling legislation.*

- 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.

*Monthly income statements with budgetary comparisons and variances were provided to the board at the board meetings.*

- 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 did not have a negative fund balance in the general fund in the prior year.*

### ***Bank Reconciliations***

---

- 3. Obtain a listing of the entity's 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 each selected account and observe that:

- 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 were prepared within 2 months of the statement closing date.*

- 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

*Bank reconciliations did include evidence that a member of management/board member reviewed each reconciliation.*

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

*There were no reconciling items that have been outstanding for more than twelve months from the statement closing date.*

### ***Collections (excluding EFTs)***

---

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/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).

*The listing was provided by management.*

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 the job duties are properly segregated at each collection location such that:

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

*Employees share 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 employee responsible for collecting cash is also responsible for preparing/making bank deposits. No other employee/official is responsible for reconciling 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 ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*The employee responsible for collecting cash is responsible for posting collection entries to the general ledger. No other employee/official is responsible for reconciling ledger postings documentation to the deposit.*

- d) The employee 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 employee responsible for reconciling cash collections to the general ledger is responsible for collecting cash. No other employee verifies the reconciliation.*

*Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties. Board review of bank statements and disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.*

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

*All employees are covered by an insurance policy for theft.*

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). Obtain supported documentation for each of the deposits and:

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

*The District uses prenumber receipts.*

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

*All cash collections were accompanied by a receipts or system report and traced to the deposit slip.*

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

*All deposits selected cleared the bank account timely and intact.*

- 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).

*All deposits selected were made within one business day of receipt.*

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

*All deposits selected were traced to the general ledger. No exceptions.*

***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).

*The listing was provided by management.*

9. For each location selected under #8 above, obtain a list 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 District does not have a purchase order system. Purchases can be initiated by any employee.*

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

*One employee processes and approves payments to vendors.*

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

*The employee responsible for processing payments is not prohibited from adding/modifying vendor files. No other employee reviews changes to vendor files.*

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

*Checks require dual signatures, however, one of the check signers also process payments and mails the checks.*

*Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties. Board review of bank statements and disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.*

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:

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

*All transactions tested where paid by and matched the original invoice.*

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

*The invoices were not initialed by anyone other than the employee responsible for cash disbursements and bank account reconciliations.*

*Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties. Board review of bank statements and disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.*

#### 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), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*The listing was provided by management.*

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 excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

*On the months tested, supporting documentation was reviewed and approved in writing by someone other than the authorized card holder except for the office manager, who approved her own monthly statement.*

***Management Response: The District will have the plant manager review and approve, in writing, the monthly credit card statement where the office manager is the authorized card holder.***

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

*No finance charges and/or late fees were assessed on the months tested.*

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, observed 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).

*All transactions tested had original itemized receipts attached to the statement with written documentation of the business/public purpose. No charges for meals were selected.*

#### ***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) 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](http://www.gsa.gov)).

*Travel reimbursements were calculated using the U.S. General Services Administration mileage reimbursement rate.*

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

*Reimbursements for mileage only.*

- 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).

*Reimbursement was supported by documentation of the business/public purpose of the travel.*

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

*Reimbursements were reviewed and approved in writing by someone other than the person receiving the reimbursement except for the office manager, who approved her own reimbursement.*

**Management Response:** *The District will have the plant manager review and approve, in writing, the travel reimbursements to the office manager.*

### ***Contracts***

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- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the list is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

*There were no agreements/contracts initiated or renewed during the fiscal year.*

- 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).

*There were no agreements/contracts initiated or renewed during the fiscal year.*

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

*There were no agreements/contracts initiated or renewed during the fiscal year.*

- 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.

*There were no agreements/contracts initiated or renewed during the fiscal year.*

### ***Payroll and Personnel***

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

*The listing was provided by management. All salaries were paid in accordance to authorized payrates.*

17. Randomly select on 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.)

*All employees tested had documentation of leave. There was no documentation of daily attendance because all employees are salaried and do not complete daily timesheets for attendance.*

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

*All employees tested had proper approved documentation of leave.*

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

*All employees tested had documentation of cumulative leave.*

18. Obtain a listing of those employees/officials that received termination pay 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 payrates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*There were no terminations in current fiscal period.*

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.

*Documentation reflected that payroll tax return/reports, retirement contributions, health insurance premiums and workers' compensation premiums were timely paid, and associated forms filed, by required deadlines.*

### ***Ethics***

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20. Using the five 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.

*All employees selected for testing maintained the documentation of completion of the required one-hour ethics training on the Code of Governmental Ethics as required by Louisiana Revised Statute 42:1170 (3)(a)(i).*

- 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.

*The District does not have a written ethics policy.*

***Management response: The District will adopt an ethics policy within its policy and procedures manual.***

#### ***Debt Service***

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

*No debt was issued during the fiscal 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 on 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.

*The District had no outstanding debt during the fiscal year.*

#### ***Other***

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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 informed us that the District did not have any misappropriation of public funds or assets during the fiscal year.*

24. Observe 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.

*The District has the required notice posted in a conspicuous place upon its premises, but not on its website.*

***Management response: The District will post the notice on its website.***

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 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.

*Shagson, Casiday, Shullery*