

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2017

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Waterworks District No. 1 of the Parish of DeSoto
Grand Cane, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Waterworks District No. 1 of the Parish of DeSoto, (the District), a component unit of the DeSoto Police Jury, as of and for the year ended December 31, 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 an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of the Parish of DeSoto as of December 31, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3-6 and the pension information on pages 21-23 be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24-27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my reported dated May 22, 2018 on my consideration of Waterworks District No. 1 of the Parish of Desoto's internal control over functional reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and compliance.



Certified Public Accountant
May 22, 2018

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$15,166,749 at year end which represents a decrease from the prior year of \$627,185.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless if when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's Net Position and changes in Net Position. You can think of the District's Net Position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$15,166,749 at December 31, 2017.

The District's major assets are its fixed assets of \$15,274,655 representing its investment in its water distribution system and water treatment plant. The District owed \$3,724,308 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

Of the District's net position, \$587,274 is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

Waterworks District No. 1 of the Parish of DeSoto Statement of Net Position December 31,

	2017	2016
Current assets	\$ 344,437	\$ 790,509
Other assets	3,693,765	3,404,973
Capital Assets, net of depreciation	15,274,655	15,510,079
Total Assets	<u>19,312,857</u>	<u>19,705,561</u>
Deferred outflows of resources	<u>288,458</u>	<u>326,121</u>
Accounts payable and accrued expenses	299,743	133,080
Bonds payable	3,724,308	3,716,534
Other liabilities	324,873	357,510
Total Liabilities	<u>4,348,924</u>	<u>4,207,124</u>
Deferred inflows of resources	25,642	30,624
Invested in capital assets, net of related debt	11,550,347	11,793,545
Reserved for construction	-	-
Reserved for bond retirement	587,274	562,982
Reserved for customer deposits	37,518	36,892
Board Designations	1,220,870	935,533
Unrestricted	1,770,740	2,464,982
	<u>\$ 15,166,749</u>	<u>\$ 15,793,934</u>

Waterworks District No. 1 of the Parish of DeSoto
Statement of Changes in Net Position
December 31,

	2017	2016
Operating Revenues	\$ 1,423,052	\$ 1,732,260
Operating Expenses	2,023,065	2,089,497
Operating Income	(600,013)	(357,237)
Non-operating Income/Expense	(27,172)	(55,570)
Changes in Net Position	\$ (627,185)	\$ (412,807)

The District's total operating revenues decreased by \$309,208 from the previous year. The total operating expense decreased by \$66,432 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$15,274,655 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$235,423 as a result of net additions of \$388,256 and depreciation expense of \$623,679.

Capital Assets at Year End

	2017	2016
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	357,570	354,570
Office Building	329,773	329,773
Water System	22,574,444	22,189,189
Total	23,266,745	22,878,490
Less: Accumulated Depreciation	7,992,090	7,368,411
Net Fixed Assets	\$ 15,274,655	\$ 15,510,079

The District had \$3,724,308 in long-term debt as follows:

	Balance 1/1/2017	Borrowings	Payments	Balance 12/31/2017
GAO Bonds	\$ -	\$ -	\$ -	-
2001 Revenue Bonds	1,185,743	-	26,021	1,159,722
DEQ Revenue Bonds	904,000	-	136,000	768,000
2006 Revenue Bonds	389,591	-	6,806	382,785
DEQ 2017 Revenue Bonds	-	251,801	-	251,801
DEQ 2010 Revenue Bonds	1,237,000	-	75,000	1,162,000
Balance, December 31, 2017	<u>\$ 3,716,334</u>	<u>\$ 251,801</u>	<u>\$ 243,827</u>	<u>\$ 3,724,308</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

2017 has been a year of change of Waterworks District #1. Because of many outside influences, lots of things have had to be handled in a different way than in past years. As we continue to add new customers and move away from "bulk water" sales, we have had to review and modify our income projections and expenses. Bulk water in years past has provided a "safety net" of sorts to supplement our regular income from domestic water sales. Although natural gas drilling has returned to our area, many local land owners have invested in large lakes to sell the water needed for drilling activities. The lack of this "safety net" and the loss of property tax revenue for 2017 has had the effect of reducing our income as is noted in the audit. We are showing an operating loss of \$600,013 for 2017. This does take into account \$698,040 in depreciation. So, if you look at these two figures, which would affect each other out in a "cash accounting" system, you might say that we made a profit for 2017. The board approved a modest rate increase, which will be revisited next year when we again will collect the .99 mill property tax that was passed this year. In addition, we have started doing our own line locates instead of hiring an outside company to do this saving around \$18,000 per year. We have consolidated positions at the plant and at the office, dropping one-half of one position at each location saving around \$15,000 per year. Also, we have tightened up on our purchasing and eliminated any purchase that is not deemed priority. We are able to conduct business as usual with a very small staff compared to other systems our size. At the present time we are adding a MIEX pretreatment system of our plant to further enhance our treatment process and stay ahead of any new regulations that might be coming from the Department of Health. Last year was a good year with the Department of Health as we had no deficiencies during the year. As always, I am extremely proud of our staff and what we have accomplished during 2017. We look forward to 2018 and continued growth of Waterworks District #1.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Waterworks District No. 1 of the Parish of Desoto's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to John Neilson, 320 Liberty Lane Grand Cane, Louisiana, 71032, or by calling (318) 872-0004.

Statement of Net Position

December 31, 2017

Assets

Current Assets

Cash	\$ 174,042
Taxes Receivable	-
Accounts Receivable (Net)	134,257
Prepaid Expenses	36,138
Total Current Assets	<u>344,437</u>

Other Assets

Restricted Assets	
Cash	1,236,278
Investments	609,384
Investments	1,847,303
Deposits	800
Fixed Assets (Net)	<u>15,274,655</u>
Total Other Assets	<u>18,968,420</u>
Total Assets	<u>19,312,857</u>

Deferred Outflows of Resources	<u>228,458</u>
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Liabilities

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 107,757
Construction Payable	191,986
Current Portion of Long-Term Debt	277,801
Total Current Liabilities	<u>577,544</u>

Long-Term Liabilities

Customer Deposits Payable	151,200
Long-Term Debt, Net of Current Portion	3,446,507
Net Pension Liability	142,819
Accrued Interest Payable	30,854
Total Long-Term Liabilities	<u>3,771,380</u>
Total Liabilities	<u>4,348,924</u>

Deferred Inflows of Resources	<u>25,642</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	11,550,347
Reserved for Debt Service	587,274
Reserved for Construction	-
Reserved for Customer Deposits	37,518
Board Designations	1,220,870
Unreserved	1,770,740
Total Net Position	<u>\$ 15,166,749</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO.1 OF THE PARISH OF DESOTO

Exhibit 2

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2017

Revenues:	
Ad Valorem Taxes	\$ -
Charges for Services	1,414,647
Miscellaneous Revenues	8,405
	<hr/>
Total Revenues	1,423,052
	<hr/>
Operating Expenses:	
Personal Services	680,028
Utilities	105,808
Repair and Maintenance	30,332
Other Supplies and Expense	474,219
Insurance	34,638
Depreciation and Amortization	698,040
	<hr/>
Total Expenses	2,023,065
	<hr/>
Operating Income (Loss)	(600,013)
Non-Operating Revenues (Expenses):	
Interest Income	35,100
Sale of Asset	11,250
Bond 2017 Forgiivness of Debt	62,950
Contributions	-
Non Employer Contributions	5,123
Interest Expense	(141,595)
	<hr/>
Total Non-Operating Revenues (Expenses)	(27,172)
	<hr/>
Change in Net Position	(627,185)
Net Position - Beginning of Year	15,793,934
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Net Position - End of Year	\$ 15,166,749
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See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 1,370,132
Advalorem taxes received	-
Cash payments to suppliers and employees	(496,055)
Other operating income	8,405
Net cash provided by operating activities	<u>882,482</u>
Cash flows from capital and related financing activities	
System improvements	(388,255)
Sale of assets	11,250
Forgiveness of debt	(62,950)
Proceeds from borrowing	314,752
Interest paid on long term debt	(147,020)
Principal payments on long term debt	(168,827)
Net cash used by capital and related financing activities	<u>(441,050)</u>
Cash flows from investing activities	
Interest earned	35,100
Net purchases of investments	(43,212)
Net cash provided by investing activities	<u>(8,112)</u>
Net increase in cash	433,320
Cash, January 1, 2017 (including \$949,621 in restricted accounts)	<u>977,000</u>
Cash, December 31, 2017 (including \$1,236,278 in restricted accounts)	<u><u>\$ 1,410,320</u></u>
Reconciliation of changes in net position to net cash provided by operating activities:	
Changes in net position before non-operating revenues (expenses):	\$ (600,013)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	698,040
Changes in assets and liabilities	
Increase in accounts receivable	(44,515)
Decrease in taxes receivable	635,813
Decrease in deferred outflows of resources	61,247
Decrease in prepaid expenses	737
Decrease in accounts payable	(25,323)
Increase in construction payable	191,986
Decrease in net pension liability	(44,408)
Decrease in deferred inflows of resources	(4,982)
Increase in customer deposits	14,600
Net cash provided by operating activities	<u><u>\$ 883,182</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No. 2, of the DeSoto Parish Police Jury on July 24, 1969, and as a political subdivision of the DeSoto Parish Police Jury. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, is in the process of constructing a water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system was funded with revenues from a 5.19 mill ad valorem tax proposition passed by voters on April 5, 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto 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 component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. CASH:

At year end, the carrying amount of the District's cash balance in banks totaled \$189,450. Unrestricted cash totaled \$174,042 while restricted cash totaled \$15,408. Bank balances were \$203,835 at year end. The difference is due to outstanding checks at year end. Bank balances were insured by FDIC insurance.

The District also had cash on deposit at LAMP at year end totaling \$1,220,870.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

3. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. Taxpayers rejected the renewal of taxes of .99 in November, 2015. There are no property tax receivables at December 31, 2017.

4. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and administered by LAMP, Inc., a nonprofit corporation organized under the law of the State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants access to their balances.

At December 31, 2017, investments on deposit with LAMP (at cost) totaled \$1,847,303.

5. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2017, totaled \$134,257 less an allowance for doubtful accounts of \$-0-.

6. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$ 4,958
Machinery & Equipment	357,570
Office Building	329,773
Water System	22,574,444
	<hr/>
	23,266,745
Less: Accumulated Depreciation	7,992,090
	<hr/>
Net fixed assets	<u>\$ 15,274,655</u>

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

7. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2017:

	Balance 1/1/2017	Debt Proceeds	Principal Payments	Balance 12/31/2017
DEQ 2017 Revenue Bonds	\$ -	\$ 251,801	\$ -	\$ 251,801
2001 Revenue Bonds	1,185,743	-	26,021	1,159,722
DEQ Revenue Bonds	904,000	-	136,000	768,000
2006 Revenue Bonds	389,591	-	6,806	382,785
DEQ 2010 Revenue Bonds	<u>1,237,000</u>	<u>-</u>	<u>75,000</u>	<u>1,162,000</u>
Balance, December 31, 2017	<u>\$ 3,716,334</u>	<u>\$ 251,801</u>	<u>\$ 243,827</u>	<u>\$ 3,724,308</u>

Bonds and notes payable at December 31, 2017, are comprised of the following:

DEQ 2017 Revenue Bonds

\$2,310,000 bonds approved September, 2017, for the purpose of constructing a treatment system, net draws for the year ended December 31, 2017 were \$251,801.

\$ 251,801

Water Revenue Bonds - 2001:

Dated August 7, 2001, due in one installment of \$68,875 on August 7, 2002, and monthly payments of \$6,815 from September 7, 2002 to August 7, 2041, bearing interest at 4.75%.

\$ 1,159,722

Water Revenue Bonds - 2001 DEQ:

Dated February 19, 2002, first principal payment of \$79,000 due on August 7, 2003, principal payments thereafter ranging from \$83,000 to \$166,000; interest payments are due in February and August, annually, bearing interest at 3.45%.

\$ 768,000

Water Revenue Bonds - 2006:

Draws on \$442,000 2006 Water Revenue Bonds, due in monthly payments of \$1,926 beginning June 7, 2006, through May, 2046, bearing interest at 4.25%.

\$ 382,785

Water Revenue Bonds - 2010:

Draws on \$1,652,000 2010 Water Revenue Bonds, first principal payment of \$65,000 due on August 7, 2011, principal payments thereafter ranging from \$67,000 to \$103,000; interest payments are due in February and August annually bearing interest at 2.95%.

\$ 1,162,000

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

The annual requirements to amortize above debt outstanding as of December 31, 2017, including interest payments of \$768,089 are as follows:

<u>Year Ending December 31</u>	<u>Total</u>
2018	\$ 384,877
2019	385,707
2020	385,270
2021	385,603
2022	81,780
2023 and after	2,869,160
Totals	<u>\$ 4,492,397</u>

8. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 37,518
Construction	-
Board Designations	1,220,870
Debt Service:	
Water Revenue Bond - 2001 DEQ	463,403
Water Revenue Bond - 2006	39,901
Water Revenue Bond - 2010	83,970
Escrow - General Obligation Bonds	-
Total	<u>\$ 1,845,662</u>

9. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2017.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

10. PENSION PLAN:

Plan Description

The Parish government contributes to PERS, under Plan A, which is a cost-sharing multiple employer defined benefit pension plan. All permanent employees working at least 28 hours per week are eligible to participate in the System. As of January, 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join PERS. Sections 1901 through 2025 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:1901-2025) and other general laws of the State of Louisiana govern PERS. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at www.persla.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

- At any age after 30 years of creditable service
- At age 55 after 25 years of creditable service
- At age 60 after 10 years of creditable service
- At age 65 after 7 years of creditable service

For employees hired after January 1, 2007:

- At age 55 after 30 years of creditable service
- At age 62 after 10 years of creditable service
- At age 67 after 7 years of creditable service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for PERS. DROP is an option for that member who is eligible for normal retirement.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they enrolled for three years and defer the receipt of benefits. During participation in the plan, the employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the members' retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Survivor's Benefits

Upon the death of any member of Plan A, with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married no less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Cost-of-Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July, 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (LA R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 10.52% of member's compensation Plan A. However, the actual rate for the fiscal year ending December 31, 2017 was 13.00% for Plan A.

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

The District's contractually required composite contribution rate for the year ended December 31, 2017 was 12.5% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District Government were \$53,084 for the year ended December 31, 2017.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$142,819 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31,

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportion was .069346, which was a decrease of .01% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017 the District recognized pension expense of \$70,064 plus or minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$317.

At December 31, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,992
Changes in assumption	27,115	-
Net difference between projected and actual earnings on pension plan investments	110,833	-
Changes in employer's proportion of beginning net pension liability	-	650
Differences between employer contributions and proportionate share of employer contributions	(517)	-
Subsequent Measurement Contributions	53,084	-
Total	\$ 190,515	\$ 25,642

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 41,531
2019	44,349
2020	29,031
2021	(3,121)
Total	\$ 111,789

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 is as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.25% per annum
Inflation Rate	2.5% per annum
Mortality	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. Experience study performed on plan data for the period January 1, 2004 through December 31, 2009.
Salary Increases	Plan A - 5.25% (2.75% Merit/3.00% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 7% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%
Total	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1.0% Decrease (6.%)	Current Discount (7.%)	1.0% Increase (8.%)
Employer's proportionate share of net pension liability	\$ 427,229	\$ 142,819	\$ (97,658)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Parochial Employees' Retirement System of Louisiana Annual Financial Report at www.persla.org.

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$22,580 which is the legally required contribution due at December 31, 2017. The amount is recorded in accrued expenses.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2017

10. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through May 22, 2018, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer's Share of Net Pension Liability

Year Ended December 31, 2017

<u>Year Ended June 30</u>	<u>Employer Proportion of th Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	.0064551%	\$ 17,618	\$ 405,625	4.34%	99.15%
2016	0.07113%	187,227	411,264	45.52%	99.93%
2017	0.06935%	142,819	424,672	33.63%	94.15%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer Contributions

Year Ended December 31, 2017

<u>Year Ended December 31</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 59,133	\$ 59,133	\$ -	\$ 405,626	14.5781%
2016	39,070	39,070	-	411,264	9.5000%
2017	53,084	53,084	-	424,672	12.5000%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Note to Retirement System Schedules

Year Ended December 31, 2017

Parochial Retirement System:

Changes of benefit terms - There were no changes of benefit terms for the year ended December 31, 2017.

Changes of assumptions - There were no changes of benefit assumptions for the year ended December 31, 2017.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017

Agency Head: John Neilson, Systems Administrator

Salary	<u>\$ 78,610</u>
Payroll Taxes	<u>\$ 1,298</u>
Insurance	<u>\$ 14,310</u>
Retirement	<u>\$ 9,826</u>

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Insurance Coverage

Year Ended December 31, 2017

Insurance Coverage:

Auto Policy: Policy # 5106-1154-02: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$1,000,000 Combined Single Limit, effective dates January 1, 2017 to January 2018.

Crime Policy, 69074909, CNA Surety, P.O. Box 5077, Sioux Falls, SD 57117-5077, Employee Dishonest \$ 106.00.

Liability Policy: Policy # 5105-1154-02: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$3,000,000 General Aggregate, \$1,000,000 occurrence, effective Jan. 1, 2017 to Jan. 1, 2018.

Public Officials & Management Liability with employment Practices & employee Benefits Coverage, Allied World Assurance Company, 199 Water Street, New York, New York 10038, \$1,000,000 each wrongful act, Each Offense, Deductible \$1,000, effective dates January 1, 2017 to January 1, 2018.

Commercial Property Policy, 5105-11547-02, Allied World Assurance Company, 199 Water Street, New York, New York 10038, total insured values \$7,788,500, effective dates January 1, 2017 to January 1, 2018

Workers Compensation Coverage, Bridgefield Casualty Ins. Co.: Policy # 198-00630, effective dates February 14, 2017 to February 14, 2018; \$100,000/\$500,000/\$100,000. P.O. Box 988, Lakeland, FL 33802

**WATERWORKS DISTRICT 1
BOARD MEMBERS
P.O. Box 1409, Mansfield, LA 71052 mailing
320 Liberty Lane, Grand Cane, LA 71032 physical
318-872-0004 office 318-872-0005 fax**

NAME	ADDRESS	HOME	WORK	CELL
Charles Waldon President January 24, 2005	428 Burford Road Stonewall, LA 71078	925-6688 email: charleswaldon@gmail.com	925-9338	458-2927
Donnie Fisher Secretary/Treasurer January 24, 2005	1208 Hwy 172 Keatchie, LA 71046	933-5462 email: fisher.donnie10@gmail.com	call on cell phone	465-8514
David Evans Sept 17, 2003	4845 Hwy 175 Frierson, LA 71027	797-3323		617-7891
Porter Dowling June 26, 2006	P.O. Box 67 Logansport, LA 71049	697-4514		903-263-1150
Kenneth E. "Ed" Campbell Vice President March 11, 2013	820 5 th Street Grand Cane, LA 71032	858-3774 Email: edcampbell820@gmail.com		464-4111 524-2276wk
Carolyn Landrum April 9, 2018	3770 Blunt Mill Road Grand Cane, LA 71032	872-0407		655-2077
Bryan "Bo" Norwood Jan. 27, 2014	180 Norwood Rd. Mansfield, LA 71052	872-4707 email: bryanbnorwood@aol.com		455-7869
Randy Rodgers Aug 8, 2017	173 Lee Lane Stonewall, LA 71078	925-3854 email: rr6698@att.net	best # to reach cell	294-1331

John Neilson, Administrator
Teresa Register, Administrative Assistant
Joshua Ryals, Field Operator
Doris Annette Burns, Plant Operator
Rebecca Foster, Office Staff, Plant Operator
Willie Burks, Part-Time Field Operator

Tim Bryson, Plant Manager
Patrick Taylor, Field Supervisor
Angela Gamble, Field Operator
Joe Cawthorn, Asst. Plant Manager
Rickye Welton, Plant Operator

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Current Rate Structure APRIL 24, 2017

Amount	Item
At Cost	New Meter Install--Two Inch Meter
\$725.00	New Meter Install--One Inch Meter
\$625.00	New Meter Install--Three Quarter Inch Meter
\$150.00	Water Deposit--Renter
\$50.00	Water Deposit--Owner
\$100.00	Tap Fee: inspection fee when others tap our line
\$75.00	Service Connect Fee
\$45.00	Unlock Meter--Reconnect Fee
\$100.00	Cut Lock Fee
\$22.00	Residential \$4.25 per 1,000 gals after 1,000 gals
\$22.00	HWY 513 & Judy Sub. \$6.25 per 1,000 gals after 1,000 gals
\$22.00	Mounce Road \$5.25 per 1,000 gals after 1,000 gals
\$37.50	Commercial \$4.75 per 1,000 gals after 10,000 gals
\$35.00	Bulk water \$3.75 per 1,000 gals after 10,000 gals
\$37.50	Industrial Rates \$4.75 per 1,000 gals
\$37.50	Fire Hydrant \$13.75 per 1,000 gals
\$15.00	Return check fee
10%	Late fee applied after the 18th
\$15.00	Read meter per customer request, No charge to customer if incorrect reading

At December 31, 2017, the District had 2,082 residential customers and 112 commercial customers for a total 2,194 customers.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Commissioners
Waterworks District No. 1 of the
Parish of DeSoto
Grand Cane, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Waterworks District No. 1 of the Parish of DeSoto, as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated May 22, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Marsha D. Mulhean".

Certified Public Accountant
May 22, 2018

WATERWORKS DISTRICT NO. 1 DISTRICT OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2017

There were no findings for the year ended December 31, 2017.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings

Year Ended December 31, 2017

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Commissioners
Waterworks District No. 1 of the
Parish of DeSoto
Grand Cane, Louisiana

I have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of Waterworks District No. 1 (the District) to assist the District in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal year ended December 31, 2017. I am required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUP and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for their purposes.

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

Written Policies and Procedures

1. I obtained the entity's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:
 - **Budgeting**, including preparing, adopting, monitoring and amending the budget.
 - **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.
 - **Disbursements**, including processing, reviewing and approving.
 - **Receipts**, including receiving, recording, and preparing deposits.
 - **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **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.
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - a) Procedures Results - The entity has no written policies and procedures that address the topics listed above directly
 - b) Managements Response - We are amending our policies and procedures to address these topics.

Board (or Finance Committee, if applicable)

2. I obtained and reviewed the board/committee minutes for the fiscal period, and:

- Determined whether the managing board met (with a quorum) at least monthly, or in a frequency in accordance with board's enabling legislation, charter, or other equivalent document.
- Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

If the budget-to actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

- Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least meeting during the fiscal period.
 - a) Procedures Results - I noted no exceptions.

Bank Reconciliations

3. I obtained a listing of the District's bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, I selected all of the entity's bank accounts (if five accounts or

less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). For each of the bank accounts selected, I obtained bank statements and reconciliations for all months in the fiscal period and determined whether:

- Bank reconciliations have been prepared.
- Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.
 - a) Procedures Results - I noted one exception. There is no evidence that bank statements have been reviewed by a member of management or a board member.
 - b) Management's Response - We have subsequently required that bank statements be reviewed by a member of management or a board member.

Collections

5. I obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, I selected all of the entity's cash collection locations (if five less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each collection location selected:
 - I obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transactions, or reconciling the related bank account(report if there are compensating controls performed by an outside party), and (3) not to share the same cash register or drawer with another employee.
 - I obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash location selected.
 - I selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and determined whether the the deposits were made within one day of collection. If deposits were not made within one day of collection, I determined the number of days from receipt to deposit for each day at each collection location.

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

7. I obtained written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

a) Procedure Results - I noted no exceptions.

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

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

9. Using the disbursement population from #8 above, I randomly selected 30 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases of payments. I obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:

- Purchases were initiated using a requisition/purchase order system or an equivalent system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or an electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

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

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

12. I inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, I reviewed entity documentation (electronic system control documentation) and noted whether the persons with signatory authority have signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, I inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. I inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.
- a) Procedure Results - I noted no exceptions.

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

14. I obtained 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 I obtained management's representation that the listing is complete.
15. Using the listing prepared by management, I randomly selected 10 cards (or at least one-third of the if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

I obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. I selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- Determined whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g. mayor of a Lawrason Act municipality); these instances should not be reported.]
 - Determined whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, I obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- For each transaction, I determined whether the transaction is supported by:

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

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

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

- For each transaction, I compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - For each transaction, I compared the entity's documentation of the business/public purpose to the requirement of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- a) Procedure Results - I noted no exceptions.

Travel and Expense Reimbursement

17. I obtained from management a listing of all travel and related expense reimbursements, by person, the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. I obtained management's representation that the listing or general ledger is complete.
18. I obtained the entity's written policies related to travel and expense reimbursements. I compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, I selected the three persons who incurred the most travel costs during the fiscal period. I obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- I compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, and lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - I determined whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose [Note: For meal charges, there should also be documentation of the individuals participating].
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- I compared the entity's documentation of the business/public purpose to the requirements of Article Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- I determined whether each expense and related documentation was reviewed and approved, in by someone other than the person receiving reimbursement.
 - a) Procedure Results - I noted no exceptions.

Contracts

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

21. Using the listing above, I selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). I obtained the related contracts and paid invoices and:

- Determined whether is a formal/written contract that supports the services arrangement and the paid.
- I compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. I noted whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

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

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

- I determined whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an
- I selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and noted whether the invoice and related payment complied with the terms and conditions of the contract.
- I obtained/reviewed contract documentation and board minutes and determined whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

a) Procedure Results - I noted no exceptions.

Payroll and Personnel

22. I obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. I randomly selected five employees/officials, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. I obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within the pay period, I randomly selected 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). [Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.]
 - b) Determined whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Determined whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. I obtained from management a list of those employees/officials that terminated during the fiscal period and managements representation that the list is complete. If applicable, I selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. I noted whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. I obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. I determined whether the employee and employer portions of the payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.
- a) Procedure Results - I noted no exceptions.

Ethics (excluding nonprofits)

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

27. I inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, I reviewed documentation that demonstrates whether management investigate alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. I determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

a) Procedure Results - I noted no exceptions.

Debt Service (excluding nonprofits)

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

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

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

a) Procedures Results - I noted no exceptions

Other

31. I inquired of management whether the entity had any misappropriations of public funds or assets. If so, I obtained/reviewed supporting documentation and noted whether the entity had reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

32. I observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

a) Procedures Results - I noted no exceptions.

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

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

A handwritten signature in cursive script that reads "Maisha D. Milliean".

Certified Public Accountant

May 22, 2018