

**EAST ALLEN PARISH
WATERWORKS DISTRICT**

Oberlin, Louisiana

Financial Report

Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
East Allen Parish Waterworks District
Oberlin, Louisiana

We have audited the accompanying financial statements of the business-type activities of the East Allen Parish Waterworks District (the District), a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2018, 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 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, we 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.

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 East Allen Parish Waterworks District as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019, on our consideration of the East Allen Parish Waterworks District's internal control over financial reporting and on our 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 our 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 the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
May 31, 2019

BASIC FINANCIAL STATEMENTS

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Statement of Net Position
December 31, 2018

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 178,146
Certificates of deposit	178,126
Accounts receivable, net of allowance	63,159
Accrued interest	<u>26</u>
Total current assets	<u>419,457</u>
Noncurrent assets:	
Restricted assets:	
Cash and interest-bearing deposits -	
Revenue bond and interest sinking account	131,037
Revenue bond reserve account	31,351
Revenue bond contingency account	100,538
Customer deposits	<u>22,368</u>
Total restricted assets	<u>285,294</u>
Capital assets:	
Land	22,937
Other capital assets, net of accumulated depreciation	<u>2,132,495</u>
Total capital assets	<u>2,155,432</u>
Total assets	<u>2,860,183</u>

DEFERRED OUTFLOWS OF RESOURCES

Organization costs, net of accumulated amortization of \$22,394	<u>5,583</u>
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LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	6,023
Accrued liabilities	<u>3,433</u>
Total current liabilities (payable from current assets)	<u>9,456</u>
Current liabilities (payable from restricted assets):	
Customer deposits	22,982
Revenue bonds payable	<u>44,000</u>
Total current liabilities (payable from restricted assets)	<u>66,982</u>
Total current liabilities	<u>76,438</u>
Noncurrent liabilities:	
Compensated absences payable	27,709
Revenue bonds payable	<u>538,239</u>
Total noncurrent liabilities	<u>565,948</u>
Total liabilities	<u>642,386</u>

NET POSITION

Net investment in capital assets	1,573,193
Restricted for debt service	262,926
Unrestricted	<u>387,261</u>
Total net position	<u>\$ 2,223,380</u>

The accompanying notes are an integral part of the basic financial statements.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ended December 31, 2018

Operating revenues:	
Charges for services -	
Water sales	\$ 503,341
Penalties	21,212
Miscellaneous	<u>3,793</u>
Total operating revenues	<u>528,346</u>
Operating expenses:	
Salaries	195,475
Payroll taxes	2,816
Insurance	30,276
Office expenses	13,772
Telephone and utilities	44,955
Supplies and parts	3,442
Amortization	736
Depreciation	120,779
Safe drinking water fee	11,605
Professional fees	8,174
Bad debt expense (recovery)	3,384
Maintenance and repairs	59,140
Truck expenses	8,303
Retirement expenses	9,292
Miscellaneous expenses	<u>7,086</u>
Total operating expenses	<u>519,235</u>
Operating income	<u>9,111</u>
Nonoperating revenues (expenses):	
Interest income	779
Miscellaneous income	3,190
Interest expense and other fiscal charges	<u>(21,571)</u>
Total nonoperating revenues (expenses)	<u>(17,602)</u>
Income before contributions	(8,491)
Capital contributions	<u>10,000</u>
Change in net position	1,509
Net position, beginning	<u>2,221,871</u>
Net position, ending	<u>\$ 2,223,380</u>

The accompanying notes are an integral part of the basic financial statements.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 481,964
Other receipts	25,005
Payments to suppliers	(199,696)
Payments to employees	<u>(200,533)</u>
Net cash provided by operating activities	<u>106,740</u>
Cash flows from noncapital financing activities:	
Net decrease in meter deposits	<u>(692)</u>
Cash flows from capital and related financing activities:	
Interest paid on revenue bonds	(21,571)
Principal paid on revenue bonds	(43,000)
Proceeds from grants	10,000
Net acquisition of capital assets	<u>(4,231)</u>
Net cash used by capital and related financing activities	<u>(58,802)</u>
Cash flows from investing activities:	
Net purchases of certificates of deposits	(337)
Interest received on interest-bearing deposits	763
Workers compensation insurance dividend	<u>3,190</u>
Net cash provided by investing activities	<u>3,616</u>
Net increase in cash and cash equivalents	50,862
Cash and cash equivalents, beginning of period	<u>412,578</u>
Cash and cash equivalents, end of period	<u>\$ 463,440</u>
Supplemental information:	
Interest paid	<u>\$ 21,571</u>

(continued)

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

Reconciliation of operating loss to net cash
provided by operating activities:

Operating income	\$ 9,111
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	120,779
Amortization	736
Changes in assets and liabilities -	
Accounts receivables, net	(21,377)
Prepaid items	1,631
Accounts and other payables	(11,190)
Accrued expenses	(157)
Compensated absences payable	7,207
Net cash provided by operating activities	<u>\$ 106,740</u>

Reconciliation of cash and cash equivalents per
statement of cash flows to the statement of net position:

Cash and cash equivalents, beginning of period -	
Cash and interest-bearing deposits	\$ 139,292
Cash and interest-bearing deposits, restricted	<u>273,286</u>
Total cash and cash equivalents	<u>412,578</u>
Cash and cash equivalents, end of period -	
Cash and interest-bearing deposits	178,146
Cash and interest-bearing deposits, restricted	<u>285,294</u>
Total cash and cash equivalents	<u>463,440</u>
Net increase	<u>\$ 50,862</u>

The accompanying notes are an integral part of the basic financial statements.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of East Allen Parish Waterworks District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District’s accounting policies are described below.

A. Financial Reporting Entity

The East Allen Parish Waterworks District, which is a component unit of the Allen Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of east Allen Parish. The District is governed by a board of commissioners composed of seven members appointed by the Allen Parish Police Jury.

The financial reporting entity for East Allen Parish Waterworks District consists of the Allen Parish Police Jury, which, as governing authority of the parish, has oversight responsibility over other governmental units (component units) within the parish. In accordance with GASB Codification Section 2100, East Allen Parish Waterworks District is considered a component unit of the parish reporting entity because (1) commissioners of the District are appointed by the Allen Parish Police Jury and (2) the District provides water service to residents within Allen Parish. While East Allen Parish Waterworks District is an integral part of the parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of East Allen Parish Waterworks District and do not present information on the Allen Parish Police Jury, the general government services provided by the Police Jury or on other component units that comprise the Allen Parish reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

For purposes of the statement of net position, cash and cash equivalents include all demand, savings accounts, and certificates of deposit of the District. For the purposes of the statement of cash flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	25-50 years
Equipment	5 years

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

Compensated Absences

Vacation leave is earned over a calendar year basis at an amount dependent upon years of service. Accumulated vacation time is payable at termination of employment. Sick leave is earned at the rate of 4 hours each pay period. Sick leave can be accumulated but is not payable at termination of employment. Employees are also allowed to accumulate up to 80 hours of comp time for overtime hours worked. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and medicare taxes using rates in effect at that date. All compensated absences liabilities are accrued when incurred. Compensated absences payable at December 31, 2018 totaled \$27,709.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, the deferred outflow of resources attributable to organization costs, net of accumulated amortization. The District reported deferred outflows of resources of \$5,583 at December 31, 2018.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has no deferred inflows of resources.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets 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 borrowing that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the District's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

- c. Unrestricted net position consists of all other assets, deferred outflows or resources, liabilities, and deferred inflows of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds generally are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principle ongoing operations. The principal operating revenues of the District’s enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of new installation and tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest expense and losses on disposal of assets.

G. Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customer utility receivables at December 31, 2018 was \$12,736.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(2) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2018, the District had cash and interest-bearing deposits (book balances) totaling \$641,566 as follows:

Demand deposits	\$ 178,146
Interest-bearing accounts	285,294
Certificates of deposit	<u>178,126</u>
	<u>\$641,566</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. 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 similar federal security 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 bank. These securities are held in the name of District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2018 are secured as follows:

Bank balances	<u>\$ 648,390</u>
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At December 31, 2018, the deposits are secured as follows:

Federal deposit insurance	250,000
Pledged securities	<u>398,390</u>

Total	<u>\$ 648,390</u>
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Deposits in the amount of \$398,390 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name. The District does not have a policy for custodial credit risk.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(3) Restricted Assets - Proprietary Fund Type

Restricted assets consisted of the following at December 31, 2018:

Revenue bond and interest sinking account	\$ 131,037
Revenue bond reserve account	31,351
Revenue bond contingency account	100,538
Customer deposits	<u>22,368</u>
Total restricted assets	<u><u>\$285,294</u></u>

(4) Capital Assets

A summary of the District's capital assets at December 31, 2018 follows:

	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital assets not being depreciated:				
Land	\$ 22,937	\$ -	\$ -	\$ 22,937
Other capital assets:				
Buildings	331,162	-	-	331,162
Furniture, fixtures and equipment	172,570	4,233	-	176,803
Capital improvements	67,570	-	-	67,570
Water system	<u>4,044,425</u>	<u>-</u>	<u>-</u>	<u>4,044,425</u>
Total other capital assets at historical cost	<u>4,615,727</u>	<u>4,233</u>	<u>-</u>	<u>4,619,960</u>
Less: Accumulated depreciation for				
Buildings	326,396	1,258	-	327,654
Furniture, fixtures and equipment	142,312	9,998	-	152,310
Water system	<u>1,897,978</u>	<u>109,523</u>	<u>-</u>	<u>2,007,501</u>
Total accumulated depreciation	<u>2,366,686</u>	<u>120,779</u>	<u>-</u>	<u>2,487,465</u>
Other capital assets, net	<u>2,249,041</u>	<u>(116,546)</u>	<u>-</u>	<u>2,132,495</u>
Business-type activities, capital assets, net	<u><u>\$2,271,978</u></u>	<u><u>\$ (116,546)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,155,432</u></u>

Depreciation expense included in the financial statements for 2018 totaled \$120,779.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(5) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2018:

	<u>LDHH Drinking Water Revolving Loan Series 2010B</u>
Long-term debt payable at December 31, 2017	\$ 625,239
Long-term debt issued	-
Long-term debt retired	<u>(43,000)</u>
Long-term debt payable at December 31, 2018	\$ 582,239
Less: Portion of Long-term debt due within one year	<u>(44,000)</u>
Portion of Long-term debt due in more than one year	<u>\$ 538,239</u>

Long-term debt payable at December 31, 2018 is composed of the following individual issue:

Utility Drinking Water Revolving Loan Bonds:

\$900,000 Drinking Water Revolving Loan, Series 2010 B, payable over 20 years; interest at 2.95 percent. \$582,239

The annual requirements to amortize all debt outstanding at December 31, 2018 is as follows:

Year ended December 31	Principal	Interest	Total
2019	44,000	20,087	64,087
2020	46,000	18,569	64,569
2021	48,000	16,982	64,982
2022	49,000	15,326	64,326
2023	51,000	15,326	66,326
2024 - 2028	282,000	40,614	322,614
2029 - 2033	<u>62,239</u>	<u>2,147</u>	<u>64,386</u>
Total	<u>\$ 582,239</u>	<u>\$ 129,051</u>	<u>\$ 711,290</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(6) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on the \$900,000 drinking water revolving loan utility bonds, Series 2010B, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds.

Each month there will be set aside into a "Revenue Bond Debt Service Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, by transferring from the operating account on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest and administrative fee, if any, falling due on the Bonds on the next interest payment date and a sum equal to 1/12th of the principal falling due on the Bonds on any principal payment date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest and administrative fee as the same become due. Payments to the paying agent must be made not less than three days prior to each interest payment date to pay promptly the principal, interest and administrative fee of the bonds.

Funds will also be set aside into a "Revenue Bond Debt Service Reserve Fund" to be retained solely for the purpose of paying the principal of and interest on the bonds payable from the "Revenue Bond Debt Service Fund" as to which there would otherwise be default. Payments into this fund must be made monthly or annually, until a sum equal to at least one-half of the highest principal and interest requirements, \$30,986, and accumulated within five years from the delivery date of the bonds.

Funds will also be set aside into a "Depreciation and Contingency Fund" to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system, by transferring from the operating account on or before the 20th day of each month of each year, a sum equal to five percent of the net revenues for the preceding month until there has been accumulated the sum of \$100,000, whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit is reduced below the sum of \$100,000, in which event such payments shall be resumed and continue until said maximum amount is again accumulated. The "Depreciation and Contingency Fund" may also be used to pay the principal and interest on the bonds for the payment of which there is not sufficient money in the Debt Service and Reserve Funds. A minimum of \$10,000 must be maintained in the "Depreciation and Contingency Fund".

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The East Allen Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2018.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(7) Retirement Commitments

East Allen Parish Waterworks District employees contribute to a group deferred nonparticipating tax-sheltered annuity policy. The District pays 70 percent and each employee 30 percent of the monthly premium. Monthly premiums are based on each employee's age, length of employment and salary. The District's contribution to this plan during the fiscal years ended December 31, 2018, 2017, and 2016 amounted to \$9,292, \$8,834, and \$8,300, respectively. Neither the District nor its employees are obligated to make contributions and the District has no further liability to the annuity plan. Data concerning the actuarial status of the plan is not available.

(8) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year, nor have settlements exceeded coverage for the past three years.

(9) Pending Litigation

There is no litigation pending against the East Allen Parish Waterworks District at December 31, 2018.

(10) Compensation, Benefits, and Other Payments to Supervisor

A detail of compensation, benefits, and other payments paid to Supervisor Sherwin Carrier for the year ended December 31, 2018 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	69,101
Benefits - retirement	3,542
Benefits - insurance	892
Cell phone	660
	<u>\$ 74,195</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Basic Financial Statements (Continued)

(11) Compensation of Board Members

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2018 follows:

Thomas McClelland, President	\$ 720
Board members:	
Clinton Robinson	720
Gloria Carrier	660
Philip Bertrand	600
Jimmy Grundy	480
Avery Victorian	660
Brian Manuel	660
	<u>\$ 4,500</u>

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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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

The Board of Commissioners
East Allen Parish Waterworks District
Oberlin, 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 business-type activities of the East Allen Parish Waterworks District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 current and prior year audit findings and management's corrective action plan as 2018-001, 2018-002, and 2018-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

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 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
May 31, 2019

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 1988

CONDITION: The District did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District has determined that it is not cost effective to achieve complete segregation of duties within the accounting department.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

2018-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: 2010

CONDITION: The District does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU-C§265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

2018-003 Utility bill collections

Fiscal year finding initially occurred: 2018

CONDITION: During a test of utility accounts of the District's customers, it was noted that some accounts are not being paid in full or timely, and the customers, including District officials, continue to receive service in violation of the District's utility cut-off policy.

CRITERIA: The utility cut-off policy requires the District assess a penalty fee if the bill is not paid by the 10th of the month and then terminate services to customers who have not paid by the 20th of the month when a delinquent balance remains.

CAUSE: The District has not properly followed its written policies and procedures regarding past due accounts and the proper cut-off procedures to disconnect services relating to nonpayment by customers.

EFFECT: Failure to follow written policies and procedure increases the risk of not having continuity of operations and the risk of long outstanding collections of utilities.

RECOMMENDATION: Management should consistently comply with its written policies and procedures in the future and cut-off utility services of customers, including District officials, who do not pay within the time limit stated in the policy.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District will establish policies and procedures to ensure that the District's cutoff policy is consistently adhered to.

B. Compliance

There were no compliance findings.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of duties

CONDITION: The District did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation..

CURRENT STATUS: Unresolved. See item 2018-001.

2017-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The District does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2018-002.

B. Compliance

There were no compliance findings.

**EAST ALLEN PARISH
WATERWORKS DISTRICT**

Statewide Agreed-Upon Procedures Report

Year Ended December 31, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
East Allen Parish Waterworks District
and The Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by East Allen Parish Waterworks District (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 period January 1, 2018 through December 31, 2018. 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

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

Written policies and procedures were obtained and do not address the functions noted above.

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.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

- 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

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

- 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.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- 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. *Alternately, for those entities reporting on the non-*

profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board discussed monthly financial statements for District's proprietary fund.

- 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 only has one fund, which is an enterprise fund. Observed that the District's prior year unrestricted net position in its enterprise fund was not negative.

Bank Reconciliations

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

Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete.

- 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).

Obtained bank reconciliations noting that they were prepared within 2 months of the related 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).

Obtained bank reconciliations noting that they do not include evidence of review by a member of management/board member who does not handle cash, post ledgers, or issue checks.

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

There is no documentation reflecting that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections

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

Obtained a listing of deposit sites for the fiscal period where deposits are prepared and management's representation that the listing is complete.

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

For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete.

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

Employees responsible for cash collections do share cash drawers/registers.

- 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.

Employees responsible for collecting cash are also responsible for preparing/making bank deposits; however, another employee reconciles collection documentation to the deposit.

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

Employees responsible for collecting cash are also responsible for posting collection entries to the general ledger; however, another employee is responsible for reconciling ledger postings to each other and to the deposit.

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

Employees responsible for reconciling cash collections to the general ledger are also responsible for collecting cash; however, another employee verifies the reconciliation.

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

Through inquiry with management, all employees who have access to cash 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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Receipts are sequentially pre-numbered.

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

Traced supporting documentation to the deposit slips noting no exceptions.

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

Traced the deposit slip total to the actual deposit per the bank statement noting no exceptions.

- 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).

Deposits were made within one business day of receipt.

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

Traced the actual deposit per the bank statement to the general ledger noting 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).

Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.

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

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

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

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

At least two employees are involved in processing and approving 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, however another employee is responsible for periodically reviewing 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.

The employee responsible for signing checks also mails the payment.

- 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.

Disbursements matched the related original invoice/billing statement.

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

Disbursement documentation did not include evidence of segregation of duties tested. There was no documentation to determine if at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

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

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

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

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Monthly statements were obtained and address the functions noted above.

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

No finance charges or late fees were noted.

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

None of the transactions tested included documentation of public purpose.

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

(The following procedures were not performed since management asserted that the District did not have any travel and travel-related reimbursements for the fiscal year.)

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).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- 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).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures were not performed since management asserted that the District did not have any contracts in place for the fiscal year.)

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) 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.
 - 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).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - 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.

Payroll and Personnel

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

Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Agreed paid salaries to authorized salaries/pay rates in personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All selected employees documented their daily attendance and leave.

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

Supervisors did not approve the attendance of the selected employees. No leave was taken in selected pay period.

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

Observed cumulative leave records maintained noting no exceptions.

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

Management asserted that no employees/officials received termination payments during the 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.

Obtained management's representation that all 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.

Ethics

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

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

No exceptions noted.

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

The entity does not have an ethics policy in place.

Debt Service

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

Management has asserted that no bonds/notes were issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants,

obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Agreed actual reserve balances and payments to those required by debt covenants noting no exceptions.

Other

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

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

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

Required notice was posted on the premises. The District does not maintain a website.

Management's Response:

Management of East Allen Parish Waterworks District concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Oberlin, Louisiana
May 31, 2019