

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2019

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2019

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of East Columbia Waterworks District (the "District"), a component unit of Caldwell Parish, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the *Louisiana Governmental Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
Independent Auditor's Report
December 31, 2019

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 East Columbia Waterworks District, as of December 31, 2019, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise East Columbia Waterworks District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and the Schedule of Prior Year Findings are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and the Schedule of Prior Year Findings are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
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Independent Auditor's Report
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of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head and Board of Commissioners and the Schedule of Prior Year Findings are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2020, on my consideration of East Columbia Waterworks District's internal control over financial reporting and on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, I have issued a report dated April 1, 2020, on the results of my statewide agreed-upon procedures performed 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*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.



Calhoun, Louisiana
March 31, 2020

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019

Our discussion and analysis of East Columbia Waterworks District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements that begin on page 9.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net position
- c. Statement of revenues, expenses, and changes in net position
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The East Columbia Waterworks District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and the changes in it. Net position - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net position is an indicator of whether the District's financial position is improving or deteriorating.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF
FINANCIAL DATA**

The District's net position increased by \$35,355 during 2019. Operating revenues decreased \$17,728 while operating expenses increased \$11,118 from the prior year. The following presents an analysis of net position and changes in net position of the District's business-type activities:

| | BUSINESS-TYPE ACTIVITIES | |
|---|-------------------------------------|-------------------------|
| | <u>2019</u> | <u>2018</u> |
| Assets | | |
| Current assets | \$247,311 | \$187,454 |
| Restricted assets | 7,018 | 147,208 |
| Capital assets | <u>512,198</u> | <u>270,019</u> |
| Total assets | <u>766,527</u> | <u>604,681</u> |
| Liabilities | | |
| Current liabilities | 47,989 | 133,495 |
| Long-term liabilities | <u>1,294,331</u> | <u>65,000</u> |
| Total liabilities | <u>1,342,320</u> | <u>198,495</u> |
| Net Position | | |
| Net investment in capital assets | 272,696 | 175,019 |
| Restricted for debt service | 6,748 | 147,103 |
| Restricted for construction | 270 | 105 |
| Unrestricted (deficit) | <u>(855,507)</u> | <u>83,959</u> |
| Total net position (deficit) | <u>(575,793)</u> | <u>406,186</u> |
| Operating revenues | 395,004 | 412,732 |
| Operating expenses | 344,126 | 333,008 |
| Non-operating revenues (expenses) | <u>(15,524)</u> | <u>(3,636)</u> |
| Change in net position | 35,354 | 76,088 |
| Net position (deficit) - beginning (restated) | <u>(611,147)</u> | <u>330,356</u> |
| Net position - ending | <u><u>(\$575,793)</u></u> | <u><u>\$406,444</u></u> |

OVERALL FINANCIAL POSITION

Unrestricted net position (deficit) was (\$855,507) at year end. The deficit in unrestricted net position is a result of recording a \$1,046,818 liability related to the URAF loan that had not been previously reported in the financial statements. Net position restricted for debt service was \$6,748 and restricted for construction was \$270. The net investment in capital assets was \$272,696 at year end.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2019

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$512,198. Capital assets include land, construction in progress, the water system, and equipment costing \$1,000 or more. The district purchased new a new vehicle at a total cost of \$32,072 and incurred \$231,425 in costs in connection with the ongoing water system improvement project during the year ended December 31, 2019. Additional information about the district's capital assets is presented in Note 4 to the financial statements.

Debt

During the year ended December 31, 2019, the district paid off \$95,000 in revenue bonds payable. Interest expense on these bonds was \$1,073. On December 10, 2019, the district issued two different series of Bond Anticipation Notes to provide interim financing for a portion of the costs of the ongoing water system improvement project. The total amount of the bond anticipation notes is \$3,129,000. The total principal advances on the bonds totaled \$247,513 during 2019. The district's long-term debt also includes a Louisiana Department of Transportation and Development (DOTD) URAF loan balance of \$1,046,818. Additional information about the district's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Operating revenues and expenses are expected to remain fairly constant for 2020. Non-operating expenses are expected to decrease due to a decrease in costs associated with the bond issue. The district expects to receive approximately \$2,881,487 in proceeds from Bond Anticipation Notes and \$501,000 in grant funds from the United States Department of Agriculture in connection with the ongoing water system improvement project.

BASIC FINANCIAL STATEMENTS

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

STATEMENT OF NET POSITION
December 31, 2019

ASSETS

Current assets:

| | |
|--|----------------|
| Cash | \$155,713 |
| Investments | 80,928 |
| Receivables (net of allowance for bad debts) | 9,677 |
| Prepaid expenses | 993 |
| Total current assets | <u>247,311</u> |

Noncurrent assets:

| | |
|---|----------------|
| Restricted cash | 7,018 |
| Property, plant and equipment (net of accumulated depreciation) | <u>512,198</u> |
| Total noncurrent assets | <u>519,216</u> |
| Total assets | <u>766,527</u> |

LIABILITIES

Current liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | 9,900 |
| Payroll taxes payable | 2,866 |
| Sales tax payable | 147 |
| Customer deposits | 35,076 |
| Total current liabilities | <u>47,989</u> |

Noncurrent liabilities:

| | |
|------------------------------|------------------|
| Long-term debt: | |
| Bond anticipation notes | 247,513 |
| URAF loan | <u>1,046,818</u> |
| Total noncurrent liabilities | <u>1,294,331</u> |
| Total liabilities | <u>1,342,320</u> |

NET POSITION

| | |
|----------------------------------|--------------------|
| Net investment in capital assets | 272,696 |
| Restricted for debt service | 6,748 |
| Restricted for construction | 270 |
| Unrestricted (deficit) | <u>(855,507)</u> |
| Total net position (deficit) | <u>(\$575,793)</u> |

See accompanying notes.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2019

OPERATING REVENUES

| | |
|--------------------------|----------------|
| Water sales | \$376,395 |
| Installation fees | 3,358 |
| Reconnect fees | 1,950 |
| Penalties | 11,082 |
| Other revenue | 2,219 |
| Total operating revenues | <u>395,004</u> |

OPERATING EXPENSES

| | |
|----------------------------|----------------|
| Commissioners per diem | 3,100 |
| Travel | 1,909 |
| Accounting | 2,000 |
| Materials and supplies | 55,450 |
| Maintenance and repairs | 43,443 |
| Office expense | 15,444 |
| Fees, dues, and permits | 832 |
| Utilities and telephone | 28,178 |
| Insurance | 15,738 |
| Employees health insurance | 21,585 |
| Salaries | 108,075 |
| Postage | 5,709 |
| Collections expense | 812 |
| Payroll taxes | 9,827 |
| Contract labor | 2,678 |
| Depreciation | 21,318 |
| Other operating expenses | 8,028 |
| Total operating expenses | <u>344,126</u> |

OPERATING INCOME**NON-OPERATING REVENUES (EXPENSES)**

| | |
|--|---------------------------|
| Interest income | 1,637 |
| Interest expense | (1,073) |
| Debt issuance costs | (16,088) |
| Total non-operating revenues (expenses) | <u>(15,524)</u> |
| INCREASE IN NET POSITION | 35,354 |
| NET POSITION - BEGINNING (Deficit) (Restated) | (611,147) |
| NET POSITION - ENDING | <u>(\$575,793)</u> |

See accompanying notes.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------|
| Receipts from customers | \$396,534 |
| Customer deposit receipts, net | 3,339 |
| Payments to suppliers | (212,636) |
| Payments to employees and board | (111,175) |
| Net cash provided by operating activities | <u>76,062</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|---|----------------|
| Principal paid on long-term debt | (95,000) |
| Interest paid on long-term debt | (5,810) |
| Purchase and construction of capital assets | (263,497) |
| Loan proceeds | 247,513 |
| Debt issuance costs | (16,088) |
| Decrease in restricted cash | 103,498 |
| Decrease in investments | 26,708 |
| Net cash used by capital financing activities | <u>(2,676)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------|
| Interest income | 1,637 |
| Increase in investments | (1,596) |
| Net cash provided by investing activities | <u>41</u> |

NET INCREASE IN CASH**CASH AT BEGINNING OF YEAR****CASH AT END OF YEAR**

| |
|-------------------------|
| 73,427 |
| <u>82,286</u> |
| <u><u>\$155,713</u></u> |

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities**

| | |
|---|------------------------|
| Operating Income | <u>\$50,878</u> |
| Adjustments: | |
| Depreciation | 21,318 |
| Bad debt expense | 3,632 |
| Decrease in accounts receivable | 49 |
| Increase in prepaid expenses | (993) |
| Decrease in accounts payable | (2,329) |
| Increase in taxes payable | 168 |
| Increase in customer deposits | 3,339 |
| Total adjustments | <u>25,184</u> |
| Net cash provided by operating activities | <u><u>\$76,062</u></u> |

See accompanying notes.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

INTRODUCTION

East Columbia Waterworks District was created by the Caldwell Parish Police Jury on September 6, 1949, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a six member board appointed by the police jury to serve five-year terms. East Columbia Waterworks District commissioners receive \$50 per regular and special meeting attended. The district serves approximately 925 customers and has three employees.

GASB Statement No. 14, *The Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, East Columbia Waterworks District is considered a component unit of the Caldwell Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net position
3. Statement of revenues, expenses, and changes in net position
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The East Columbia Waterworks District is a special-purpose government engaged only in business-type activities.

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of East Columbia Waterworks District are water sales, installation, reconnect fees, penalties, and other operating fees. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing and non-interest bearing demand deposits. State law limit's the district's credit risk by restricting the district's investments to collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2019, the district's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost. The district's interest rate risk is limited by the investment of funds for periods not to exceed 24 months.

D. Receivables

Accounts receivable consist of amounts due from customers for water service provided prior to year end and an amount due from the Louisiana Department of Revenue for an overpayment of state withholding taxes. Receivables from water service are reported net of an allowance for uncollectible accounts which is an estimate based on the number of closed accounts at year end. Accounts are closed when they are considered uncollectible by management.

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

E. Restricted Assets

Certain resources set aside for future construction costs and accounts established as required by the letter of conditions in connection with the 2021 Water Revenue Bonds are classified as restricted assets on the balance sheet because their use is limited. It is the policy of the district to first use restricted assets for construction costs and unrestricted funds when both restricted and nonrestricted assets are available for the purposes specified by the letter of conditions.

F. Capital Assets

Capital assets, which include land, construction in progress, the water system, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The East Columbia Waterworks District maintains a threshold level of \$1,000 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 the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. In accordance with GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, interest cost incurred before the end of the construction period is recognized as an expense in the period in which the cost is incurred and not capitalized as part of the historical cost of the capital asset. GASB 89 is effective for reporting periods beginning after December 15, 2019, but the District has elected to implement early as permitted by the statement.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| | <u>Estimated Lives</u> |
|-------------------------------|----------------------------|
| Infrastructure - Water system | 25 years |
| Equipment | 5-15 years |

G. Long-term Obligations

Long-term debt such as bond anticipation notes and the URAF loan are reported as liabilities in the statement of net position.

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

H. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2019:

| | |
|---------------------------------|----------------|
| Total interest cost expensed | \$1,073 |
| Total interest cost capitalized | <u>NONE</u> |
| Total interest costs incurred | <u>\$1,073</u> |

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2019, the district has cash, investments, and restricted cash (book balances) as follows:

| | |
|--|------------------|
| Non-interest bearing checking accounts | \$100,980 |
| Interest bearing savings accounts | 61,751 |
| Investments - certificates of deposit | <u>80,928</u> |
| Total | <u>\$243,659</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2019, East Columbia Waterworks District had \$275,306 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

3. RECEIVABLES

At December 31, 2019, the district has net receivables of \$9,677 as follows:

| | |
|--|-------------------|
| Water sales | \$27,470 |
| Fees collected for others | 6,421 |
| Overpayment of Louisiana state withholding taxes | 1,481 |
| Allowance for uncollectible accounts | <u>(\$25,695)</u> |

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

Net receivables

\$9,677

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2019, is as follows:

| | Balance at January 1, 2019 | Increases | Decreases | Balance at December 31, 2019 |
|---|----------------------------------|------------------|-------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$32,950 | | | \$32,950 |
| Construction in progress | 72,500 | \$231,425 | | 303,925 |
| | <u>105,450</u> | <u>231,425</u> | <u>NONE</u> | <u>336,875</u> |
| Capital assets being depreciated: | | | | |
| Water system | 1,702,507 | | | 1,702,507 |
| Equipment | 110,394 | 32,072 | | 142,466 |
| Total capital assets being depreciated | <u>1,812,901</u> | <u>32,072</u> | <u>NONE</u> | <u>1,844,973</u> |
| Less accumulated depreciation for: | | | | |
| Water system | 1,550,620 | 10,095 | | 1,560,715 |
| Equipment | 97,712 | 11,223 | | 108,935 |
| Total accumulated depreciation | <u>1,648,332</u> | <u>21,318</u> | <u>NONE</u> | <u>1,669,650</u> |
| Total assets being depreciated, net | <u>164,569</u> | <u>10,754</u> | <u>NONE</u> | <u>175,323</u> |
| Total assets | <u>\$270,019</u> | <u>\$242,179</u> | <u>NONE</u> | <u>\$512,198</u> |

Depreciation expense of \$21,318 for the year ended December 31, 2019 was reported in the statement of revenues, expenses, and changes in net position.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the year ended December 31, 2019:

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

| |Direct Borrowings..... | | | |
|------------------------------|-----------------------------|--------------------|------------------|--------------------|
| | 1981 | LA | 2019 | |
| | Water | DOTD | Bond | |
| | Revenue | URAF | Anticipation | |
| | <u>Bonds</u> | <u>Loan</u> | <u>Notes</u> | <u>Total</u> |
| Balance at January 1, 2019 | \$95,000 | \$1,047,218 | NONE | \$1,142,218 |
| Additions | NONE | | \$247,513 | 247,513 |
| Reductions | <u>(95,000)</u> | <u>(400)</u> | | <u>(95,400)</u> |
| Balance at December 31, 2019 | <u>NONE</u> | <u>\$1,046,818</u> | <u>\$247,513</u> | <u>\$1,294,331</u> |

During the year ended December 31, 2005, the district entered into four separate agreements with the Louisiana Department of Transportation and Development (DOTD) to relocate the district's water lines that were located within the limits of a road construction project. The agreements with DOTD provide that the water district is responsible for repaying funding received during 2005, 2006, and 2007. The agreements provide that the district may repay in partial amounts, in exchange for goods and/or services or any combination thereof. The board of commissioners agreed to pay \$100 per year. The district paid \$400 during the year ended December 31, 2019. The loan is non-interest bearing.

On December 10, 2019, the district issued two different series of Bond Anticipation Notes to provide interim financing for a portion of the costs of constructing and acquiring improvements, extensions, and renovations to the waterworks system. Bond Anticipation Note R-1 in the principal amount of \$1,878,000 was purchased by Caldwell Bank and Trust. The note bears interest at a rate of 3% per annum on the principal amount advanced to the district. Bond Anticipation Note R-2 in the principal amount of \$1,251,000 was purchased by the Louisiana Public Facilities Authority and bears interest at a rate of 1.5% per annum on the principal amount advanced to the district. Both notes are payable solely from the proceeds of the unissued Water Revenue Bonds, Series 2021, authorized to be issued in the principal amount of \$3,129,000 pursuant to a resolution adopted by the district on October 21, 2019, or from the income and revenues derived or to be derived from the operation of the water system, after provision has been made for the payment therefrom of the reasonable and necessary expenses of operating and maintaining the water system. The Water Revenue Bonds, Series 2021 will be sold to the United States Department of Agriculture (USDA), Rural Development and the principal and interest will be payable over a 40 year period in monthly amortized payments commencing one month after the delivery of the Bond and continuing monthly thereafter for a total of 480 monthly payments. The unpaid principal of the Bond shall bear interest at the rate of 3.125% per annum from the date of delivery until paid.

The annual principal and interest payments due until maturity cannot be determined at this time for the URAF loan or the Bond Anticipation Notes.

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

6. RESTRICTED ASSETS

The Letter of Intent to Meet Conditions dated September 25, 2018, that was issued by the district to USDA Rural Development requires the district to establish the following reserves as a condition of the issuance of the Water Revenue Bonds, Series 2021:

- A. Debt Service Reserve - The district must establish a Debt Service Reserve Fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal \$1,145 per month; to be deposited monthly until a total of \$137,436 has been accumulated. Prior written concurrence from USDA Rural Development must be obtained before funds may be withdrawn from this fund during the life of the loan.
- B. Short-Lived Asset Reserve - The district must establish a Short-Lived Asset Reserve Fund and deposit at least \$29,917 annually for the life of the loan to pay for the repairs and/or replacement of major system assets. It is the district's responsibility to assess the facilities short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

During 2019, the district established the accounts required in the letter of conditions. At December 31, 2019, the district has a total of \$6,748 set aside in these accounts. The district will begin funding the accounts in accordance with the letter of conditions after the water revenue bonds are sold to USDA. These deposits are reported as restricted cash on the district's statement of net position.

7. RESTATEMENT OF BEGINNING NET POSITION

The following provides a summary of the changes in beginning net position:

| | |
|---|---------------------------|
| Beginning net position as previously reported | \$406,186 |
| Allowance for bad debts was understated in prior year | (22,063) |
| Customer meter deposit liability was overstated in prior year | 44,198 |
| Accounts payable and accrued expenses were overstated in prior year | 7,750 |
| Prior year URAF loan balance was not recorded in prior year | (1,047,218) |
| Beginning net position (deficit), restated | <u><u>(\$611,147)</u></u> |

8. DEFICIT NET POSITION

The district has a deficit net position in the amount of \$575,793 at December 31, 2019. The deficit was caused by the district's decision to record the balance on the loans payable to the Louisiana Department of Transportation and Development (DOTD) incurred under the Utilities Relocation

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

Assistance Funding (URAF) program. The loans were incurred during 2005, 2006, and 2007. Prior to the current fiscal year, the district did not report the liability under the agreements on its statement of net position due to the repayment terms specified in the agreements. The agreements with DOTD provide that the district may repay in partial amounts, in exchange for goods and/or services or any combination thereof. In previous years, the district was of the opinion that it was unlikely that DOTD would require the district to repay the loans. However, during the fiscal years ended December 31, 2018 and 2019, DOTD has invoiced the district and requested an annual payment on the loans. The Board of Commissioners agreed to pay \$400 per year. Recording the total amount due DOTD at January 1, 2019, caused the district's net position to decrease \$1,047,218 and create a deficit net position of \$611,147. For the year ended December 31, 2019, the district had a net increase in net position of \$35,354 and therefore reduced the deficit by that amount. USDA Rural Development has approved a \$501,000 grant in connection with the district's ongoing water system improvement project. This grant, along with the expected net increase in net position for future fiscal periods, should eliminate the deficit within the next two fiscal periods.

9. RISK MANAGEMENT

The district purchased commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

10. SUBSEQUENT EVENTS

Management of the district has evaluated subsequent events through March 31, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION SCHEDULES

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2019

**SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
AND BOARD OF COMMISSIONERS**

The schedule of compensation, benefits, and other payments to agency head and board of commissioners is presented in compliance with Louisiana Revised Statute 24:513 A (3) and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, East Columbia Waterworks District commissioners receive \$50 per regular and special meeting attended.

SCHEDULE OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

EAST COLUMBIA WATERWORKS DISTRICT
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SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD AND BOARD OF COMMISSIONERS
For the Year Ended December 31, 2019

BOARD COMPENSATION

| | |
|---------------------------------------|-----------------------|
| Agency Head - Dale Powell - President | \$600 |
| Shelby Cruse | 700 |
| Jerry Duff | 600 |
| Judith McKee | 700 |
| Terry McClanahan | <u>500</u> |
| Total | <u><u>\$3,100</u></u> |

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, LouisianaSCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2019

| <u>Finding Number</u> | <u>Fiscal Year Finding Initially Occurred</u> | <u>Description of Finding</u> | <u>Status of Finding</u> |
|---------------------------|---|---|---|
| 2018-1 | 2004 | Inadequate Segregation of Accounting Duties | Unresolved - see 2019-001 in current year findings. |

Independent Auditor's Report
Required by *Government Auditing Standards*

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

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

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

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of East Columbia Waterworks District (the "District"), a component unit of Caldwell Parish, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise East Columbia Waterworks District's basic financial statements and have issued my report thereon dated March 31, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered East Columbia Waterworks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 of 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.

BOARD OF COMMISSIONERS
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Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2019

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2019-001 that I consider to be a material weakness.

Compliance and Other Matters

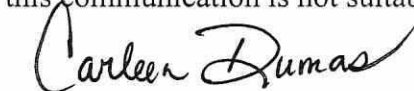
As part of obtaining reasonable assurance about whether East Columbia Waterworks District's financial statements are free from material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2019-002 and 2019-003.

District's Response to Findings

East Columbia Waterworks District's responses to the findings identified in my audit are described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

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.



Calhoun, Louisiana
March 31, 2020

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2019

Section I - Summary of Auditor's Reports

Financial Statements

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

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - No
3. Noncompliance material to financial statements noted? - Yes

Section II - Financial Statement Findings

2019-001. Inadequate Segregation of Accounting Duties

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

Condition: All accounting duties are performed by one employee.

Cause: Limited number of employees due to the small size of the District.

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

Recommendation: None

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the District and its limited revenues.

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
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Schedule of Current Year Findings and
Management's Planned Corrective Action

2019-002. Prohibited Transaction

- Criteria:** LRS 42:1113(B) prohibits an immediate family member of an appointed member of any board or commission to enter into any contract or other transaction which is under the supervision or jurisdiction of the agency of such appointed member.
- Condition:** On December 10, 2019, the district paid \$10,000 in legal fees to an immediate family member of one of the members of the Board of Commissioners.
- Cause:** The transaction was for legal fees incurred in connection with the system's water system improvement project. The Board of Commissioners were unaware that this type of transaction was prohibited.
- Effect:** Violation of LRS 42:1113(B).
- Recommendation:** No member of the Board of Commissioners or a member of their immediate family should enter into any contract or other transaction which is under the supervision or jurisdiction of the Board.

Management's Planned

- Corrective Action:** The District will adopt at the April 20, 2020, Board Meeting a resolution signed by each member acknowledging that no immediate family members are allowed to enter into a paid contract or other transaction which is under the supervision or jurisdiction of the District.

2019-003. Noncompliance with Employee Pay/Benefit Policy

- Criteria:** On November 19, 2012, the Board of Commissioners adopted an employee pay/benefit policy that provided that compensatory time would be earned by salaried employees only and that all compensatory time earned must be taken within the following year or be lost. The policy did not have a provision for employees to earn sick time.
- Condition:** During the year ended December 31, 2019, hourly employees were allowed to earn compensatory time. Employees were allowed to carry over their earned compensatory time past the following year. All employees were allowed to earn

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action

18 days of sick leave each year and to carry over unused sick days to the following year.

Cause: The employee responsible for maintaining leave records for all employees was unaware of the provisions of the employee pay/benefit policy that was adopted in 2012.

Effect: Employees were allowed to earn and used compensatory time and sick leave that was not provided for in the district's policy.

Recommendation: The Board of Commissioners should review and amend the employee pay/benefit policy that was adopted in 2012 as it relates to compensatory time and sick time earned. The policy review should address which employees are eligible to earn compensatory and sick time, the amount of time employees may earn in a calendar year, the amount of time employees may carry over to the following calendar year, and whether employees are paid for accumulated time upon separation from service.

Management's Planned

Corrective Action:

The District will adopt a new Personnel Manual that will address/update the Employee Pay/Benefit Policy. This policy will address which employees are eligible to earn compensatory and sick time, the amount of time employees may earn in a calendar year, the amount of time employees may carry over to the following calendar year and whether employees are paid for accumulated time upon separation from service.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

LOUISIANA LEGISLATIVE AUDITOR

I have performed the procedures enumerated below, which were agreed to by East Columbia 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, 2019 through December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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East Columbia Waterworks District
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LOUISIANA LEGISLATIVE AUDITOR
Independent Accountants Report on
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December 31, 2019

- c) ***Disbursements***, including processing, reviewing, and approving
- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (determining the reasonableness of fuel card purchases).
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

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The District did not have written policies and procedures for the above categories and subcategories for the year ended December 31, 2019.

Board or Finance Committee

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

The Board of Commissioners met on a monthly basis as required by LRS 33:3819.

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

The minutes included approval of monthly financial statements.

- 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 does not have a General Fund. It has one Enterprise Fund.

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 bank reconciliation for each selected account, and observe that:

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Management provided the required listing and a representation that the listing is complete. Management identified the main operating account.

- 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);

All selected bank reconciliations included evidence 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); and

There was no evidence of a board member reviewing the selected bank reconciliations.

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

There was no documentation of research on reconciling items that had 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).

Management provided the required listing and a representation that the listing is complete. The District has only one deposit site.

- 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. 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:

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Management provided the required listing and a representation that the listing is complete. The District has only one collection location. I inquired of management about employee job duties at the District's collection location.

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

One employee is responsible for all collections. The employee does not accept cash payments.

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

The employee responsible for collections also prepares and makes the bank deposits.

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

The employee responsible for collections is also responsible for posting entries to subsidiary ledgers (customer account records).

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

The employee responsible for collections is also responsible for reconciling cash collections to the general ledger and subsidiary ledgers (customer account records).

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

The employee who has access to collections is covered by a commercial crime policy. The employee does not accept cash payments.

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7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.

Receipts are not issued.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

The selected deposits agreed to the system reports.
 - c) Trace the deposit slip total to the actual bank deposit per bank statement.

The deposit slips selected were traced to the deposit amounts on the bank statement.
 - 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).

The deposits were made within one business day of receipt or within one week for deposits less than \$100.
 - e) Trace the actual deposit per the bank statement to the general ledger.

The selected deposits were traced to the general ledger.

Non-Payroll Disbursements (excluding credit 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).

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

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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 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:

Management provided the required listing. I inquired of management about employee job duties at the District's payment processing location.

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

The District's maintenance employees initiate the purchase request, the General Manager approves the purchase and records in purchase order log and the maintenance employees make the purchases.

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

One employee prepares the checks for payments to vendors and the Board President approves the invoices/support.

- 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 also responsible for adding/modifying vendor files.

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

The employee responsible for processing payments is also responsible for mailing the checks.

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:

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Management provided the required transaction population and a representation that the population is complete.

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

The selected disbursements matched the related original invoices.

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

The invoices supporting the selected disbursements were initialed by the Board President.

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.

Management provided the required listing of fuel cards and a representation that the listing is complete. The District does not use credit cards, bank debit cards, or P-cards.

- 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.]]

The District has issued two fuel cards that have a monthly combined statement. The monthly statement was initialed by the Board President who is not the authorized cardholder.

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

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No finance charges or late fees were assessed on the selected statement.

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).

Non-applicable. The District only has fuel cards.

Travel and Expense Reimbursement

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:

Management provided the general ledger and a representation that the general ledger is complete.

- 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).

Travel was reimbursed using the IRS business mileage rate.

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

The selected reimbursements were supported by original itemized receipts.

- 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).

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The selected reimbursements were supported by documentation of the business/public purpose.

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

The Board President initialed the supporting documentation for the reimbursements selected and he was not the one receiving the reimbursement.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the period. 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:

Management provided a transaction list by vendor for the fiscal period and a representation that the listing is complete.

- 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.

All of the vendor contracts/agreements selected were in compliance with Louisiana Public Bid Law.

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

The two contracts examined were approved by the Board President.

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

The two contracts examined were not amended during the fiscal year.

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- 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.

One \$250 lease payment was not supported by a contract or invoice.

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.

Management provided the required listing of employees/elected officials employed during the fiscal period and a representation that the listing is complete.

- 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 hourly employees documented their daily attendance and leave and the salaried employee documented her leave.

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

The Board President approved and initialed the payroll documentation of the selected employees.

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

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Leave accrued or taken during the selected pay periods was reflected in the entity's cumulative leave records.

18. Obtain a list 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/official's personnel files.

There were no termination payments made during the fiscal year.

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.

Management provided the required representation.

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.

The District does not maintain documentation that demonstrates that members of the Board of Commissioners complete one hour of ethics training each fiscal period.

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

The District has not adopted a written ethics policy.

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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 provided the required listing and a representation that the listing is complete. The District received loan proceeds during 2019 from bond anticipation notes. State bond commission approval was obtained for the bond anticipation notes.

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 the debt covenants (including contingency funds, short-lived asset funds, or other funds required by debt covenants).

Management provided the required listing and a representation that the listing is complete. The reserve accounts required by the letter of conditions for the 2021 Water Revenue Bonds were established by the District. The accounts were not required to be funded during the fiscal year.

Other

23. Obtain a listing of misappropriations of public funds or 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 provided a representation that there were no misappropriations during the fiscal period.

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.

The notice required by R.S. 24:523.1 was not posted at the District's premises nor on its website.

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Management's Response:

Management of the District is in the process of preparing written policies and procedures that address each of the categories and subcategories identified in the Louisiana Legislative Auditor's Statewide Agreed-upon Procedures. The District anticipates that the Board of Commissioners will adopt these policies and procedures during the fiscal year ending December 31, 2020.

The General Manager will research items on bank reconciliations that have been outstanding for more than 12 months and will maintain documentation on how these items were cleared.

Due to the size of the District and its limited number of employees, the employee who is responsible for collections must also prepare and make the bank deposit, record the related transaction in the subsidiary ledgers (customer account records), and reconcile collections to the general ledger.

Due to the size of the District and its limited number of employees, the employee who is responsible for processing payments is also responsible for adding/modifying vendor files and for mailing the checks to the vendors.

All future lease payments will be supported by a written agreement.

All employees and members of the Board of Commissioners will complete one hour of ethics training each fiscal year beginning with the year ending December 31, 2020. The General Manager will maintain documentation of the completed training.

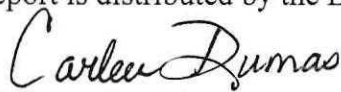
The Board of Commissioners will adopt a written ethics policy during the year ending December 31, 2020, and will require each employee to read the policy each fiscal year. The General Manager will maintain documentation of each employees' and board members' signature verification that they have read the policy each fiscal year.

On April 1, 2020, the District posted the notice required by R.S. 24.523.1 at its office and on its website.

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

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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.

A handwritten signature in cursive script that reads "Carleen Dumas".

Calhoun, Louisiana
April 1, 2020